

# Agenda

## Corporate Governance and Human Resources Committee Meeting

November 6, 2013 | 7:30-8:30 a.m. Eastern

The Westin Buckhead Atlanta  
3391 Peachtree Road, N.E.  
Atlanta, GA 30326  
Phone: 800-253-1397

### **Introductions and Chair's Remarks**

### **NERC Antitrust Compliance Guidelines**

#### **Agenda**

1. **Minutes\*— Approve**
  - a. August 14, 2013 Meeting
2. **Report of Items Covered in Closed Session on November 5, 2013 — Review**
3. **Board of Trustees and Board Committees' Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees\* — Approve**
4. **2013 Corporate Goals and Performance Report\* — Review**
5. **Staffing and Recruiting Update\* — Informational**

\*Background materials included.

# Antitrust Compliance Guidelines

## I. General

It is NERC's policy and practice to obey the antitrust laws and to avoid all conduct that unreasonably restrains competition. This policy requires the avoidance of any conduct that violates, or that might appear to violate, the antitrust laws. Among other things, the antitrust laws forbid any agreement between or among competitors regarding prices, availability of service, product design, terms of sale, division of markets, allocation of customers or any other activity that unreasonably restrains competition.

It is the responsibility of every NERC participant and employee who may in any way affect NERC's compliance with the antitrust laws to carry out this commitment.

Antitrust laws are complex and subject to court interpretation that can vary over time and from one court to another. The purpose of these guidelines is to alert NERC participants and employees to potential antitrust problems and to set forth policies to be followed with respect to activities that may involve antitrust considerations. In some instances, the NERC policy contained in these guidelines is stricter than the applicable antitrust laws. Any NERC participant or employee who is uncertain about the legal ramifications of a particular course of conduct or who has doubts or concerns about whether NERC's antitrust compliance policy is implicated in any situation should consult NERC's General Counsel immediately.

## II. Prohibited Activities

Participants in NERC activities (including those of its committees and subgroups) should refrain from the following when acting in their capacity as participants in NERC activities (e.g., at NERC meetings, conference calls and in informal discussions):

- Discussions involving pricing information, especially margin (profit) and internal cost information and participants' expectations as to their future prices or internal costs.
- Discussions of a participant's marketing strategies.
- Discussions regarding how customers and geographical areas are to be divided among competitors.
- Discussions concerning the exclusion of competitors from markets.
- Discussions concerning boycotting or group refusals to deal with competitors, vendors or suppliers.

- Any other matters that do not clearly fall within these guidelines should be reviewed with NERC's General Counsel before being discussed.

### **III. Activities That Are Permitted**

From time to time decisions or actions of NERC (including those of its committees and subgroups) may have a negative impact on particular entities and thus in that sense adversely impact competition. Decisions and actions by NERC (including its committees and subgroups) should only be undertaken for the purpose of promoting and maintaining the reliability and adequacy of the bulk power system. If you do not have a legitimate purpose consistent with this objective for discussing a matter, please refrain from discussing the matter during NERC meetings and in other NERC-related communications.

You should also ensure that NERC procedures, including those set forth in NERC's Certificate of Incorporation, Bylaws, and Rules of Procedure are followed in conducting NERC business.

In addition, all discussions in NERC meetings and other NERC-related communications should be within the scope of the mandate for or assignment to the particular NERC committee or subgroup, as well as within the scope of the published agenda for the meeting.

No decisions should be made nor any actions taken in NERC activities for the purpose of giving an industry participant or group of participants a competitive advantage over other participants. In particular, decisions with respect to setting, revising, or assessing compliance with NERC reliability standards should not be influenced by anti-competitive motivations.

Subject to the foregoing restrictions, participants in NERC activities may discuss:

- Reliability matters relating to the bulk power system, including operation and planning matters such as establishing or revising reliability standards, special operating procedures, operating transfer capabilities, and plans for new facilities.
- Matters relating to the impact of reliability standards for the bulk power system on electricity markets, and the impact of electricity market operations on the reliability of the bulk power system.
- Proposed filings or other communications with state or federal regulatory authorities or other governmental entities.

Matters relating to the internal governance, management and operation of NERC, such as nominations for vacant committee positions, budgeting and assessments, and employment matters; and procedural matters such as planning and scheduling meetings.

## Draft Minutes Corporate Governance and Human Resources

August 14, 2013 | 7:30 a.m. local time

Chair Jan Schori convened a duly noticed open meeting of the Corporate Governance and Human Resources Committee (the Committee) of the North American Electric Reliability Corporation on August 14, 2013 at 7:30 a.m. local time, and a quorum was declared present. The agenda is attached as **Exhibit A**.

Present at the meeting were: All Committee members, being Jan Schori, Chair, Fred Gorbet, Ken Peterson, and Bob Clarke; Board members Paul Barber, Dave Goulding, Bruce Scherr, Janice Case, Doug Jaeger, Roy Thilly, and Gerry Cauley; NERC staff members Charlie Berardesco, Mike Walker, Mark Rossi, and Tina Buzzard; and David Walthen, Towers Watson.

A listing of industry attendees is attached as **Exhibit B**.

### **NERC Antitrust Compliance Guidelines**

Ms. Schori directed the participants' attention to the NERC Antitrust Compliance Guidelines.

### **Minutes**

The Committee approved the May 8, 2013 meeting minutes as presented at this meeting.

### **Trustee Compensation Review**

Mr. Walthen provided an overview of the Trustee Compensation Study report completed by Towers Watson that had been included in the advance Committee materials. He stated that, based on an analysis of 2011 data, Towers Watson was recommending that NERC consider maintaining the current retainer compensation approach (rather than per meeting fees), but simplify it to include a Trustee annual retainer, a retainer for each Committee chair, and a retainer for the non-executive chair. Mr. Walthen further stated that due to the increase in workload of Trustees and that Trustee compensation had not been adjusted since the beginning of 2011, an increase in Trustee compensation was warranted. Mr. Walthen recommended the following target ranges, and discussed the basis for the recommendation:

- Trustee Annual Retainer \$80,000 to \$115,000
- Committee Chair Retainer \$5,000 to \$10,000
- Non-Executive Chair Retainer \$105,000 to \$180,000

Ms. Schori reviewed key points for consideration by the Committee, which included:

1. The findings and recommendations contained in the Towers Watson report.
2. The fact that the Board has not adjusted compensation since 2011. The IOU and industry data in the report is from 2011, it is now two years later, and it is reasonable to assume from the trends shown in the report that compensation has continued to increase.
3. The need to consider any compensation adjustment in light of NERC's overall budget. That the workload for all Trustees has continued to increase, but that it is no longer necessary to provide additional compensation to the members of the Compliance Committee as the workload across committees has begun to equalize.
4. The Board Chair, Vice Chair, committee chairs and the Trustee assigned to the ESCC have substantial additional responsibilities and time commitments. There is consensus among the Trustees that the Vice Chair's position, in consideration of its increased responsibility and workload, should also receive additional compensation.
5. That the current compensation structure, utilizing fixed retainers, is consistent with best practice trends in director compensation.
6. That it remains important for NERC to be able to recruit and retain qualified and quality individuals to board service, and that NERC competes directly with regional entities, ISOs and RTOs, IOUs, and even private sector companies in attempting to attract such individuals to NERC.
7. That the conflict of interest requirements at NERC for trustees, which include financial interest and investment prohibitions, employment/consulting prohibitions, and industry board service prohibitions, and the fact that NERC is a non-profit and offers no stock options or benefits, reinforce the need for NERC to offer competitive compensation to trustees, understanding the limits NERC places on what might be other opportunities for financial reward.

Ms. Schori than outlined a potential approach to revising Trustee compensation:

1. Establish a target annual retainer for each Trustee of \$97,500, which is the median of the range proposed by Towers Watson. The new retainer would be implemented, for all Trustees who are not members of the Compliance Committee, beginning effective third quarter 2013 and phased in over 2013, 2014 and 2015 (for Compliance Committee members, the phase in will begin January 1, 2014) such that the target amount would be reached January 1, 2015. This will assist in the potential recruitment of board candidate(s) in 2014 for 2015, if necessary.
2. Retain the current committee chairs and ESCC Trustee annual retainer of \$10,000.
3. Effective January 1, 2014, eliminate the additional annual retainer for Compliance Committee members.
4. Effective third quarter 2013, establish an annual retainer of \$5,000 for the Board Vice Chair.
5. Retain the annual retainer of \$35,000 for the Board Chair.

Ms. Schori also reviewed the financial impact of the proposed approach, noting that for 2013, the amount would be offset by lower than budgeted expenditures, and for the proposed fiscal 2014 budget, the amount would be offset by budget reductions. After discussion by members, and positive stakeholder comments, and upon motion duly made and seconded, the Committee recommended Board approval of the Trustee compensation approach as presented.

#### **Savings and Investment Plan Audit**

Mr. Walker reviewed the results of the Savings and Investment Plan Audit, stating NERC's outside auditor, Grant Thornton, conducted the audit and prepared a summary report. Mr. Walker also provided an overview of the services conducted by Vanguard, the Plan Trustee, including the annual compliance testing which determines if NERC is administering the Plan properly. At the conclusion of the testing, the findings were also favorable and no variances were found.

#### **Annual Board Assessment**

Mr. Berardesco provided a review of the focus areas as identified in response to the 2012 survey findings and the status of improvement efforts in these areas.

Mr. Berardesco noted the draft Board and Board Committees' Self-Assessments and the MRC Annual Effectiveness Survey had been included in the advance materials, and requested comments. NERC management will review the comments and provide an updated draft for review and approval by the Committee at its next meeting. MRC Chair Carol Chinn requested the Member Representatives Committee have an opportunity to review and comment on proposed changes to the MRC Annual Effectiveness Survey.

#### **Criteria for Board Composition and Employee Reporting and Document Retention Policies**

Mr. Berardesco stated NERC legal had completed the annual review of the criteria for Board composition and did not recommend any changes.

Mr. Berardesco stated NERC legal had reviewed the current NERC employee reporting and document retention policies and concluded the policies met all applicable legal requirements. He further stated NERC legal is working on an overall update of document retention policies across the organization, which will be reviewed with the Committee at a future meeting.

After discussion by members, Ms. Schori requested Management complete a review of the Trustee independence requirements and approach, to assess whether any changes are appropriate.

#### **2013 Corporate Goals Update**

Mr. Rossi reviewed company performance for the second quarter against the 2013 Corporate Goals. He reviewed leading results and watch list items, noting mitigation plans are being formulated to address those areas that are currently on the watch list. After discussion regarding the report, the Committee requested Management include the metrics in the corporate goals summary for future meetings.

#### **Staffing and Recruiting Update**

Ms. Schori referenced the materials contained in the posted Agenda package.

**Adjournment**

There being no further business, and upon motion duly made and seconded, the meeting adjourned at approximately 8:25 a.m. local time.

Submitted by,

A handwritten signature in black ink, appearing to read 'Charles A. Berardesco', written in a cursive style.

Charles A. Berardesco  
Secretary



## **Board of Trustees and Board Committees' Self-Assessment Surveys; MRC Annual Effectiveness Survey of the Board of Trustees**

### **Action**

Approve

### **Summary**

The annual Board of Trustees (Board), Board Committees' Self-Assessment Surveys and the Member Representatives Committee (MRC) Annual Effectiveness Survey (Surveys) are designed to provide an opportunity for Board, Board Committees, and MRC members to evaluate NERC's governance structure, operations, and processes. The Surveys are important tools in measuring efficiency and effectiveness of organization-wide governance and stakeholder relations. Last year's Surveys identified several areas for Board focus, resulting in actions to improve communication and collaboration. This year, NERC management, in consultation with Board members and stakeholders, suggested several revisions, including an effort to streamline the Surveys by revising redundant or outdated content. Draft versions of the Surveys were presented to the Corporate Governance and Human Resources Committee and the MRC for comment in August 2013.<sup>1</sup>

In response to comments and feedback solicited from Board and MRC members, management has revised the Surveys. Substantive changes from the previous drafts<sup>2</sup> include:

- In "Levels of Effectiveness" section, to "1", replacing "level of performance is clearly unsatisfactory" with "performance area with opportunity for improvement".
- In "Levels of Effectiveness" section, to "3", deleting "far".
- Adding to the "Strategy" section on Page 1 the following statement: "The Board effectively works with management to establish NERC's strategic and business plans."
- In the "Board Functioning" section on Page 2, placing the phrase "The Board has established procedures that ensure" at the beginning of the statement reading, "Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes".
- In the "Board Functioning" section on Page 2, in the statement reading, "Board goals, expectations, and concerns are honestly communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise," replacing "honestly" with "effectively".

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<sup>1</sup> Corporate Governance and Human Resources Committee, August 2013 Open Session Agenda Package, Pages 49-70, available at [http://www.nerc.com/gov/bot/GOV/Board%20of%20Trustees%20Governance%202013/CGHRC\\_0813a\\_OPEN\\_Complete.pdf](http://www.nerc.com/gov/bot/GOV/Board%20of%20Trustees%20Governance%202013/CGHRC_0813a_OPEN_Complete.pdf).

<sup>2</sup> *Id.*



Management is recommending the following timeline—which provides for an additional two weeks to complete the survey as compared to last year—for the 2013 Board, Board Committees, and MRC Surveys:

- Surveys distributed by November 13, 2013.
- Responses due by December 20, 2013.
- Draft summary of results provided to the Board Chair and Committee Chairs for review by January 16, 2014.
- Results presented for review and discussion at February 2014 Board and Committee meetings.

Marked and clean copies of the proposed final survey questions are attached.

## Board of Trustees/Member Representatives Committee Proposed 2013 Survey Questions

### Levels of Effectiveness

1 = Below Expectations (“performance area with opportunity for improvement”)

2 = Meets Expectations (“meets the required standard of performance”)

3 = Above Expectations (“exceeds the required standard of performance”)

The survey will include a prompt requiring comment for any item rated “No” in response to a “Yes/No” item or a “Below Expectations” in response to the 3-point levels of effectiveness scale.

Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations or Above Expectations” on the 3-point levels of effectiveness scale.

2013 BOT & MRC Proposed Questions	BOT	MRC
<b>Strategy</b>		
The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.	X	X
The Board effectively works with management to establish NERC’s strategic and business plans.	X	X
Board members stay abreast of issues and trends affecting NERC and the industry and use this information to assess and guide NERC performance.	X	X
The Board effectively sets priorities through the strategic plan.	X	
The Board takes appropriate account of the international charter of the North American bulk power system.	X	X
Observation and Opportunities for Improvement:	X	X
<b>Oversight</b>		
The Board is sufficiently involved in the ERO (NERC and the Regions) annual business planning and budgeting process and ensures that the ERO business plan and budget appropriately balances the cost concerns of stakeholders with the need to meet the ERO’s responsibilities.	X	X
The Board is sufficiently involved in monitoring the corporation’s compliance with regulatory requirements and directives.	X	X
Observation and Opportunities for Improvement:	X	X
<b>Stakeholder Relations</b>		
The Board works and communicates effectively with stakeholders in the prioritization of NERC work efforts, striking an appropriate balance between the expectations of regulators and stakeholders.	X	X
The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.	X	X
The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.	X	X
Observation and Opportunities for Improvement:	X	X

<b>Composition/Structure</b>		
The Board's size is appropriate and effective.	X	X
Board members reflect broad diversity of competency strengths and professional experience.	X	X
The Board's Committees have suitable mandates and membership.	X	
Observation and Opportunities for Improvement:	X	X
<b>Board Functioning</b>		
The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes.	X	
The number of Committee meetings is appropriate.	X	X
The Chair of the Board effectively oversees and facilitates Board activities and direction.	X	X
The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues and provides appropriate allocation of time to agenda items.	X	X
Board goals, expectations, and concerns are effectively communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise.	X	
Board members participate as equals and communicate openly.	X	X
The Board functions and makes decisions independently of management, as appropriate.	X	X
Observation and Opportunities for Improvement:	X	X
<b>NERC Management</b>		
The Board has appropriate access to management.	X	
The Board avoids excessive involvement in detail and day-to-day management.	X	
The Board is sufficiently involved in ensuring a competent and well-motivated senior management and ensuring that proper development and succession plans are in place for CEO and other senior management.	X	
Observation and Opportunities for Improvement:	X	X
<b>Other Factors</b>		
I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.	X	
I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.	X	
Observation and Opportunities for Improvement:	X	X

## Finance and Audit Committee Proposed 2013 Self-Assessment Questions

<b>Corporation Annual Financial Statement Review</b>
The Committee effectively ensures that management maintains the quality, credibility, and the objectivity of the corporation's financial reports.
The Committee effectively reviews with the external auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements.
The Committee effectively reviews and approves changes in accounting policies after considering the appropriateness of such selections and changes.
The Committee effectively reviews with management, the external auditor and legal counsel the corporation's procedures to ensure compliance with applicable laws and regulations.
The Committee effectively reviews with management, the external auditor and legal counsel any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, together with related financial disclosures.
The Committee effectively determines, based on its review and discussion thereof with management and the external auditor, whether to recommend the acceptance by the Board of the audited financial statements.
<b>Monitoring Relationship with External Auditor</b>
The Committee effectively evaluates the performance of the external auditor and the auditor's estimated annual audit fees and reappoints, or, if necessary, takes steps to replace the external auditor.
The Committee effectively meets privately with the external auditor to ascertain the level of access and cooperation received from management during the course of the audit.
<b>Adequacy and Integrity of Internal Accounting Controls</b>
Effective follow-up is performed by management with regard to any recommendations from the external auditor or the committee relating to internal accounting controls.
<b>Annual Business Plan and Budget</b>
The Committee effectively reviews the annual ERO (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a Regional Entity, and such other matters as are deemed necessary.
The Committee effectively reviews and reports to the Board quarterly on actual unaudited quarterly results versus approved budgets of NERC and the Regional Entities.
<b>Other Responsibilities</b>
The Committee effectively reviews the policies for approval of senior management expenses, including those of the chief executive officer.
The Committee effectively reviews the financial aspects of the corporation's Form 990 prior to it being filed with the Internal Revenue Service.
The Committee effectively reviews the investment policy governing the investment of funds held by the corporation.

<b>Committee Functioning</b>
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
<b>Open-ended Question</b>
Observation and Opportunities for Improvement

## Corporate Governance and Human Resources Proposed 2013 Self-Assessment Questions

<b>Committee Responsibilities</b>
The Committee effectively develops criteria governing overall composition of the Board for recommendation to the Board.
The Committee effectively monitors the members of the Board to ensure, per bylaws, their independence and qualifications are maintained and have no conflicts of interest.
The Committee effectively develops recommendations for the Board regarding the Trustee Succession Policy.
The Committee ensures the meaningfulness and timeliness of support, information, and documentation from management to the Board.
The Committee effectively coordinates an annual effectiveness evaluation of the Board, its structure, and processes.
The Committee effectively annually reviews the compensation plan for members of the Board.
The Committee effectively approves the metrics related to the corporation's annual performance goals for use in calculating incentive compensation.
The Committee effectively reviews the Trustee Code of Conduct, recommending changes to the Board as appropriate.
The Committee effectively reviews the structure and mandates of the Committees, recommending changes to the Board as appropriate.
The Committee effectively completes annual self-assessment, reviews the self-assessments of the other Board committees and reports the results thereof to Board.
The Committee effectively reviews the CEO's performance, recommends to the Board the compensation, including salary and bonus, and provides feedback, as appropriate.
The Committee effectively approves the hiring or promotion of officers.
The Committee effectively reviews and approves the remuneration of all officers, including salaries and bonuses as recommended by the CEO.
The Committee effectively reviews and approves a general salary structure for the officers and management of the corporation.
The Committee effectively reviews overall staffing levels and management's plans and activities for the development and improvement of key personnel.
The Committee effectively reviews with the CEO essential elements of senior management succession planning.
The Committee effectively reviews and approves, as appropriate, an employee manual.
The Committee effectively recommends to the Board the appointment of Board members to each of the committees.
New Board member orientation and education is comprehensive and meaningful.
<b>Plan Oversight</b>
The Committee effectively reviews significant benefit plans (including the corporation's retirement plans) and make recommendations and provide feedback to the Board.
The Committee effectively provides oversight of the corporation's Savings and Investment Plan through actions it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
The Committee effectively reviews the corporate governance aspects of the corporation's Form

990 prior to it being filed with the Internal Revenue Service.

**Committee Functioning**

The number of Committee meetings is appropriate.

The size of the Committee is appropriate.

The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.

The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.

**Open-ended Question**

Observation and Opportunities for Improvement



## Standards Oversight and Technology Committee Proposed 2013 Self-Assessment Questions

<b>Committee Standards Oversight Responsibilities</b>
The Committee effectively evaluates the strategic direction of NERC's standards development program.
The Committee effectively identifies strategic priorities for reliability standards development.
The Committee effectively monitors overall results, including quality and timeliness of standards development work.
The Committee effectively assesses emerging reliability risks affecting standards, making recommendations as appropriate.
The Committee effectively monitors progress in addressing regulatory mandates and directives related to standards.
The Committee effectively serves as the Level 2 Appeals Panel as set forth in the NERC Standard Processes Manual, Appendix 3A to the NERC Rules of Procedure.
The Committee effectively periodically reviews NERC's status with the American National Standards Institute.
The Committee effectively reviews and provides oversight regarding the corporation's long-term technology strategy and budget.
The Committee effectively provides recommendations for action regarding the strategic direction of NERC's standards development program to the Board and NERC Standards Committee.
The Committee effectively provides advice and recommendations to the Board on any standards-related issues referred to it by the Board.
The Committee effectively makes recommendations to NERC Standards Committee and Board regarding needed improvements in the quality and timeliness of standards development work.
<b>Committee Technology Oversight Responsibilities</b>
The Committee effectively reviews annually the resource requirements and funding for IT-related investments and costs under the company's business plan and budget and provides recommendations to the Finance and Audit Committee and Board.
The Committee effectively provides the Board with recommendations for action on proposed NERC projects that employ new technology.
The Committee effectively reviews with management company computer systems environment, security procedures, and contingency plans.
The Committee effectively provides advice and recommendations to the Board on any technology-related issues referred to it by the Board.
<b>Committee Functioning</b>
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
<b>Open-ended Question</b>
Observation and Opportunities for Improvement

**Nominating Committee Proposed 2013 Self-Assessment Questions**

<b>Committee Responsibilities</b>
The Committee effectively communicates to all stakeholders clear process and steps in Board candidate selection.
The Committee effectively communicates Board and MRC best practice guidelines to field candidate slate.
The Committee effectively develops clear, relevant and complete candidate specifications.
The Committee effectively utilizes vetting process to select qualified search consultant.
The Committee effectively provides opportunity for full and fair evaluation of incumbents and candidates.
The Committee effectively applies Board composition provisions of the bylaws in making its recommendations.
The Committee effectively applies the Board’s Conflict of Interest Policy in making its recommendations.
The Committee effectively applies the Trustee Succession Policy in making its recommendations.
The director/trustee nomination process is effective.
<b>Committee Functioning</b>
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
<b>Open-ended Question</b>
Observation and Opportunities for Improvement

## Compliance Committee Proposed 2013 Self-Assessment Questions

<b>Committee Responsibilities</b>
The Committee effectively reviews violations, regardless of their status, of the most recent month known to the Compliance Monitoring and Enforcement Program staff.
The Committee effectively reviews the progress of individual operating entities in mitigating confirmed violations.
The Committee effectively reviews the progress of regional entities in processing all allegations of violations of NERC reliability standards to ensure accordance with the NERC Rules of Procedure.
The Committee effectively hears and addresses appeals of compliance violations, penalties, or sanctions.
The Committee effectively hears and addresses appeals of findings resulting from audits of the Regional Entity implementation of the NERC CMEP heard by the NERC Compliance and Certification Committee.
The Committee effectively hears and addresses challenges by candidates for inclusion on the compliance registry.
The Committee effectively reviews and oversees the filing of Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents with FERC and other governmental authorities or remand to the appropriate regional entity.
The Committee effectively advises the Board on the progress of individual operating entities in mitigating confirmed violations.
The Committee, as necessary, effectively considers such actions that may further the purposes of the NERC Compliance Monitoring and Enforcement and Organization Registration and Certification Programs.
<b>Committee Functioning</b>
The number of Committee meetings is appropriate.
The size of the Committee is appropriate.
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Committee meetings.
The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.
<b>Open-ended Question</b>
Observation and Opportunities for Improvement

**Board of Trustees/Member Representatives Committee Proposed ~~2012~~2013 Survey Questions**

**Levels of Effectiveness**

- 1 = Below Expectations (“~~level of performance is clearly unsatisfactory~~performance area with opportunity for improvement”)
- 2 = Meets Expectations (“meets the required standard of performance”)
- 3 = Above Expectations (“~~far~~exceeds the required standard of performance”)

The survey will segment those questions that are “Pass/Fail” by nature and require a “Yes/No” answer to the item. Survey will also include a prompt requiring comments for any item rated “No” in response to a “Yes/No” item or a “Below Expectations” in response to the 3-point levels of effectiveness scale. Optional comments may be provided for items rated “Yes” in response to a “Yes/No” item or “Meets Expectations or Above Expectations” on the 3-point levels of effectiveness scale.

<b>2012-2013 BOT &amp; MRC Proposed Questions</b>	<b>BOT</b>	<b>MRC</b>
<b>Strategy</b>		
<del>The Board constructively engages in furthering NERC’s mission ensuring a reliable and adequate bulk power system.</del>	X	X
<del>The Board clearly supports and advocates Electric Reliability Organization model.</del>	X	X
The Board has knowledge of and familiarity with NERC’s corporate values, mission, vision, strategic plan, and business plan and reflects this understanding in evaluating key issues.	X	X
The Board effectively works with management to establish NERC’s strategic and business plans.	X	X
Board members stay abreast of issues and trends affecting NERC and the industry and use this information to assess and guide NERC performance.	X	X
<del>The Board demonstrates understanding of the key challenges NERC faces.</del>	X	X
The Board effectively sets priorities through the strategic plan.	X	
The Board takes appropriate account of the international charter of the North American bulk power system.	X	X
Observation and Opportunities for Improvement:	X	X
<b>Oversight</b>		
The Board is sufficiently involved in the ERO (NERC and the Regions) annual business planning and budgeting process and ensures that the ERO business plan and budget appropriately balances the cost concerns of stakeholders with the need to meet the ERO’s responsibilities.-	X	X
<del>The Board ensures that the ERO (NERC and the Regions) business plan and budget appropriately balances the cost concerns of stakeholders with the need to meet the ERO’s responsibilities.</del>	X	X

The Board is sufficiently involved in monitoring the corporation's compliance with regulatory requirements and directives.	X	X
<del>There is an effective process for assessment of the CEO.</del>	<del>X</del>	<del>X</del>
Observation and Opportunities for Improvement:	X	X
<b>Stakeholder Relations</b>		
The Board works <u>and communicates</u> effectively with stakeholders in the prioritization of NERC work efforts, <u>striking an appropriate balance between the expectations of regulators and stakeholders.</u>	X	X
<del>The Board effectively communicates with all stakeholders.</del>	<del>X</del>	<del>X</del>
The Board establishes a positive and cooperative dialogue with U.S. federal and state regulators.	X	X
The Board establishes a positive and cooperative dialogue with Canadian federal and provincial regulators.	X	X
<del>The Board strikes an appropriate balance between the expectations of regulators and the expectations of stakeholders.</del>	<del>X</del>	<del>X</del>
Observation and Opportunities for Improvement:	X	X
<b>Composition/Structure</b>		
The Board's size is appropriate and effective.	X	X
Board members reflect broad diversity of competency strengths and professional experience.	X	X
The Board's Committees have suitable mandates and membership.	X	
<del>The director/trustee nomination process is effective.</del>	<del>X</del>	<del>X</del>
<del>New Board member orientation and education is comprehensive and meaningful.</del>	<del>X</del>	
Observation and Opportunities for Improvement:	X	X
<b>Board Functioning</b>		
<del>The Board has and follows procedures for effective meetings. The Board has established procedures that ensure Board members receive written meeting notices, agendas and appropriate background material in time to prepare in advance of meetings, are presented meaningful information during meetings, and receive timely and accurate minutes.</del>	<del>X</del>	
The number of Committee meetings is appropriate.	X	X
The Chair of the Board effectively oversees and facilitates Board activities and direction.	X	X
The Chair manages meetings efficiently to allow for sufficient discussion and constructive input on important issues <u>and provides appropriate allocation of time to agenda items.</u>	X	X
<del>Board agenda items appropriately reflect priorities.</del>	<del>X</del>	<del>X</del>
<del>Priority matters are placed on Board Agendas in a timely manner.</del>	<del>X</del>	<del>X</del>
<del>Background information provided in support of Board agendas is appropriate</del>	<del>X</del>	<del>X</del>
<del>Background information in support of agendas is provided in a timely manner.</del>	<del>X</del>	<del>X</del>

**Comment [B.W.1]:** Moved to Nominating Committee

**Comment [B.W.2]:** Moved to CGHR Committee

<del>The allocation of time to agenda items is appropriate.</del>	X	X
<del>Challenge of management proposals is encouraged and dissenting views are considered.</del>	X	X
<del>Board goals, expectations, and concerns are effectively and honestly communicated with the CEO and other senior management through sufficient, meaningful dialog during Board meetings or otherwise.</del>	X	
Board members participate as equals and communicate openly.	X	X
The Board functions and makes decisions independently of management, as appropriate.	X	X
<del>The Board functions without giving undue influence to any single stakeholder or stakeholder group.</del>	X	X
<del>The process for taking action in writing without a meeting is effective.</del>	X	
<del>Minutes are a fair record of Board proceedings.</del>	X	X
Observation and Opportunities for Improvement:	X	X
<b>NERC Management</b>		
The Board has appropriate access to management.	X	
The Board avoids excessive involvement in detail and day-to-day management.	X	
The Board is sufficiently involved in ensuring a competent and well-motivated senior management <u>and ensuring that proper development and succession plans are in place for CEO and other senior management.</u>	X	
<del>The Board ensures proper development and succession plans are in place for the CEO and senior management.</del>	X	
Observation and Opportunities for Improvement:	X	X

Other Factors		
I feel I am personally making a meaningful contribution to the corporation by my attendance and participation at the Board, committee meetings, and other activities.	X	
I feel my peers are personally making a meaningful contribution to the corporation by their attendance and participation at the Board, committee meetings, and other activities.	X	
Observation and Opportunities for Improvement:	X	X

**Comment [e3]:** Item will be segmented to 2<sup>nd</sup> half of the survey and converted to a “Yes/No” question

**Comment [e4]:** Item will be segmented to 2<sup>nd</sup> half of the survey and converted to a “Yes/No” question



## Finance and Audit Committee Proposed ~~2013~~2013 Self-Assessment Questions

Corporation Annual Financial Statement Review
<del>The Committee effectively E</del> nsures <del>that</del> management maintains the quality, credibility, and the objectivity of the corporation's financial reports.
<del>The Committee effectively R</del> reviews with the external auditor any significant emerging accounting and reporting issues and their potential impact on the corporation's financial statements.
<del>The Committee effectively R</del> reviews and <del>approves</del> changes in accounting policies after considering the appropriateness of such selections and changes.
<del>The Committee effectively R</del> reviews with management, the external auditor and legal counsel, the corporation's procedures to ensure compliance with applicable laws and regulations.
<del>The Committee effectively R</del> reviews with management, the external auditor and legal counsel any significant litigation, claim, or other contingency, including tax assessments, that would have a material effect upon the financial position or operating results of the corporation, together with related financial disclosures.
<del>The Committee effectively D</del> etermines, based on its review and discussion thereof with management and the external auditor, whether to recommend the acceptance by the Board of the audited financial statements.
Monitoring Relationship with External Auditor
<del>The Committee effectively E</del> valuate the performance of the external auditor <del>and the auditor's estimated annual audit fees</del> and <del>reappoints</del> or, <del>if necessary,</del> <del>takes</del> steps to replace the external auditor.
<del>Review and approve the auditor's estimated annual audit fees.</del>
<del>Meet privately with management to assess the performance of the external auditor.</del>
<del>The Committee effectively M</del> eets privately with the external auditor to ascertain the level of access and cooperation received from management during the course of the audit.
Adequacy and Integrity of Internal Accounting Controls
<del>Effective F</del> ollow-up <del>is</del> performed by management with regard to any recommendations from the external auditor or the committee relating to internal accounting controls.
Annual Business Plan and Budget
<del>The Committee effectively r</del> Reviews <del>of</del> the annual ERO (NERC and the Regional Entities) Business Plan and Budget preparation and approval, including associated assessments, as well as any other special budget and assessments of the corporation or a Regional Entity, and such other matters as are deemed necessary.
<del>The Committee effectively R</del> reviews and <del>reports</del> to the Board quarterly on actual unaudited quarterly results versus approved budgets of NERC and the Regional Entities.
Other Responsibilities
<del>The Committee effectively R</del> reviews <del>of</del> the policies for approval of senior management expenses, including those of the chief executive officer.
<del>The Committee effectively R</del> reviews <del>of</del> the financial aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.

| The Committee effectively Rreviews ~~of~~ the investment policy governing the investment of funds held by the Corporation. |

Committee Functioning	
	The number of Committee meetings is appropriate.
	<del>The size of the Committee is appropriate.</del>
	The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
	The Committee Chair manages meetings efficiently to allow for <u>open, equal, and</u> sufficient discussion and constructive input on important issues.
	<del>Committee members participate as equals and communicate openly.</del>
	<del>The Committee functions without giving undue influence to any single stakeholder or stakeholder group.</del>
Open-ended Question	
	Observation and Opportunities for Improvement

**Corporate Governance and Human Resources Proposed 2013~~2~~ Self-Assessment Questions**

Committee Responsibilities
The Committee effectively <del>D</del> develops criteria governing overall composition of the Board for recommendation to the Board.
The Committee effectively <del>M</del> monitors the members of the Board to ensure, per bylaws, their independence and qualifications are maintained <u>and have no conflicts of interest.</u>
The Committee effectively <del>D</del> develops recommendations for the Board regarding Trustee Succession Policy.
<del>Monitor the members of the Board to ensure, per bylaws, there are no conflicts of interest.</del>
The Committee effectively <del>C</del> oordinates an annual effectiveness evaluation of the Board, its structure, and processes.
The Committee effectively <del>R</del> review annually <u>reviews</u> the compensation plan for members of the Board.
The Committee effectively <u>approves the metrics related to the Corporation's annual performance goals for use in calculating incentive compensation.</u>
The Committee effectively <del>R</del> reviews the Trustee Code of Conduct, <u>recommending changes to the Board as appropriate.</u>
The Committee effectively <del>R</del> reviews the structure and mandates of the <del>C</del> ommittees, recommending changes to the Board as appropriate.
The Committee effectively <u>completes annual self-assessment, R</u> reviews the self-assessments of the <u>other</u> Board committees and reports the results thereof to Board.
The Committee effectively <del>R</del> reviews of the CEO's performance, <u>recommends to the Board the compensation, including salary and bonus,</u> and provides feedback, as appropriate.
<del>Review overall staffing levels and trends.</del>
The Committee effectively <del>A</del> pproves the hiring or promotion of officers.
The Committee effectively <del>R</del> reviews and <del>approve</del> <u>approves</u> the remuneration of all officers, including salaries and bonuses as recommended by the CEO.
The Committee effectively <del>R</del> reviews and approves a general salary structure for the officers and management of the corporation.
The Committee effectively <del>R</del> reviews <u>overall staffing levels and</u> management's plans and activities for the development and improvement of key personnel.
The Committee effectively <del>R</del> reviews with the CEO essential elements of senior management succession planning.
The Committee effectively <del>R</del> reviews and approves, as appropriate, an employee manual.
The Committee effectively <del>R</del> ecommends to the Board the appointment of Board members to each of the committees.
The Committee effectively <del>C</del> ommunicates recommendations to the Board regarding the salary and bonus of the CEO.
<u>New Board member orientation and education is comprehensive and meaningful.</u>
Plan Oversight
The Committee effectively <del>r</del> Reviews significant benefit plans (including the Corporation's retirement plans) and make recommendations and provide feedback to the Board.

**Comment [e5]:** Collapsed with question above

**Comment [e6]:** A responsibility in the mandate that was not reflected so added.

**Comment [e7]:** This is a mandate responsibility that was missing and collapsed here with another responsibility.

**Comment [e8]:** The recommendation of CEO comp is a responsibility in the mandate that's not reflected in the assessment.

**Comment [e9]:** Collapsed with question below. This is one responsibility in the mandate.

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<u>The Committee effectively provides</u> Oversight of the corporation's Savings and Investment Plan through actions it deems prudent in connection with its oversight responsibilities and otherwise consistent with applicable law.
<u>The Committee effectively R</u> reviews the corporate governance aspects of the Corporation's Form 990 prior to it being filed with the Internal Revenue Service.
<b>Committee Functioning</b>
The number of Committee meetings is appropriate.
<u>The size of the Committee is appropriate.</u>
<del>The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.</del> <u>The Committee ensures the meaningfulness and timeliness of support, information, and documentation from management to the Board.</u>
The Committee Chair manages meetings efficiently to allow for <u>open, equal, and</u> sufficient discussion and constructive input on important issues.
<del>Committee members participate as equals and communicate openly.</del>
<del>The Committee functions without giving undue influence to any single stakeholder or stakeholder group.</del>
<b>Open-ended Question</b>
Observation and Opportunities for Improvement

**Comment [e10]:** From the mandate; reflected slightly differently here.

## Standards Oversight and Technology Committee Proposed 2013~~2~~ Self-Assessment Questions

Committee Standards Oversight Responsibilities	
The Committee effectively <del>E</del> evaluates	the strategic direction of NERC's standards development program.
The Committee effectively <del>I</del> dentifies	strategic priorities for reliability standards development.
The Committee <del>M</del> onitors	effectively monitors overall results, including quality and timeliness of standards development work.
The Committee effectively <del>A</del> ssesses	emerging reliability risks affecting standards, making recommendations as appropriate.
The Committee effectively <del>M</del> onitor	s progress in addressing regulatory mandates and directives related to standards.
The Committee effectively <del>S</del> erves	as the Level 2 Appeals Panel as set forth in the NERC Standard Processes Manual, Appendix 3A to the NERC Rules of Procedure.
The Committee effectively <del>P</del> eriodically reviews	NERC's status with the American National Standards Institute.
The Committee effectively <del>R</del> eviews	and provides oversight regarding the Corporation's long-term technology strategy and budget.
The Committee effectively <del>P</del> rovides	recommendations for action regarding the strategic direction of NERC's standards development program to the Board and NERC Standards Committee.
The Committee effectively <del>P</del> rovides	the Board with recommendations for action on proposed NERC projects that employ new technology.
The Committee effectively <del>P</del> rovides	advice and recommendations to the Board on any standards-related issues referred to it by the Board.
The Committee effectively <del>M</del> akes	recommendations to NERC Standards Committee and Board regarding needed improvements in the quality and timeliness of standards development work.
Committee Technology Oversight Responsibilities	
The Committee effectively <del>A</del> nnually reviews	the resource requirements and funding for IT-related investments and costs under the company's business plan and budget and provides recommendations to the Finance and Audit Committee and Board.
The Committee effectively <del>R</del> eviews	with management company computer systems environment, security procedures, and contingency plans.
The Committee effectively <del>P</del> rovides	advice and recommendations to the Board on any technology-related issues referred to it by the Board.
Committee Functioning	
The number of Committee meetings is appropriate.	
The size of the Committee is appropriate.	
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.	

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The Committee Chair manages meetings efficiently to allow for open, equal, and sufficient discussion and constructive input on important issues.

~~Committee members participate as equals and communicate openly.~~

~~The Committee functions without giving undue influence to any single stakeholder or stakeholder group.~~

**Open-ended Question**

Observation and Opportunities for Improvement



## Nominating Committee Proposed 2013~~2~~ Self-Assessment Questions

Committee Responsibilities	
The Committee effectively <del>C</del> communicates to all stakeholders clear process and steps in Board candidate selection.	
The Committee effectively <del>C</del> communicates Board and MRC best practice guidelines to field candidate slate.	
The Committee effectively <del>D</del> develops clear, relevant and complete candidate specifications.	
The Committee effectively <del>U</del> utilizes vetting process to select qualified search consultant.	
The Committee effectively <del>P</del> provides opportunity for full and fair evaluation of incumbents <u>and candidates.</u>	
<del>Evaluates potential candidates thoroughly.</del>	
<del>Conduct interview(s) and final selection process.</del>	
The Committee effectively <del>Demonstrate</del> application of the Board <u>applies Board</u> composition provisions of the bylaws in making its recommendations.	
The Committee effectively <u>applies the</u> <del>Demonstrate</del> application of the Board's Conflict of Interest policy in making its recommendations.	
The Committee effectively <del>Demonstrate</del> application of the Trustee <u>applies Trustee</u> Succession Policy in making its recommendations.	
<u>The director/trustee nomination process is effective.</u>	Formatted Table
Committee Functioning	
The number of Committee meetings is appropriate.	
<u>The size of the Committee is appropriate.</u>	Formatted Table
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.	
The Committee Chair manages meetings efficiently to allow for <u>open, equal, and</u> sufficient discussion and constructive input on important issues.	
<del>Committee members have the opportunity to participate and express viewpoints openly and freely</del>	
<del>The Committee functions without giving undue influence to any single stakeholder or stakeholder group.</del>	
Open-ended Question	
Observation and Opportunities for Improvement	

**Compliance Committee Proposed 2013~~2~~ Self-Assessment Questions**

Committee Responsibilities
The Committee <del>Appropriately</del> <u>effectively</u> reviews violations, regardless of their status, of the most recent month, known to the Compliance Monitoring and Enforcement Program staff.
The Committee <del>Appropriately</del> <u>effectively</u> <del>review the</del> <u>reviews the</u> progress of individual operating entities in mitigating confirmed violations.
The Committee <del>Appropriately</del> <u>effectively</u> reviews the progress of regional entities in processing all allegations of violations of NERC reliability standards to ensure accordance with the NERC Rules of Procedure.
<del>Appropriately review Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents.</del>
The Committee <del>appropriately</del> <u>effectively</u> <del>H</del> <u>h</u> ears and addresses appeals of compliance violations, penalties, or sanctions.
The Committee <del>appropriately</del> <u>effectively</u> <del>H</del> <u>h</u> ears and addresses appeals of findings resulting from audits of the regional entity implementation of the NERC CMEP heard by the NERC Compliance and Certification Committee.
The Committee <del>appropriately</del> <u>effectively</u> <del>H</del> <u>h</u> ears and addresses challenges by candidates for inclusion on the compliance registry.
The Committee <del>E</del> <u>effectively</u> <del>reviews and</del> oversees the filing of Notice of Penalty or Sanction, Settlement Agreement, and Remedial Action Directive documents with FERC and other governmental authorities or remand to the appropriate regional entity.
The Committee <del>effectively</del> <u>advises</u> the Board on the progress of individual operating entities in mitigating confirmed violations.
The Committee, <del>as necessary, effectively</del> <del>Recommends to the Board</del> <u>considers</u> such actions <del>as that</del> <u>as</u> that may further the purposes of the NERC Compliance Monitoring and Enforcement <del>and Organization Registration and Certification Programs.</del>
<del>Recommend to the Board such actions as may further the purposes of the Organization Registration and Certification Program.</del>
Committee Functioning
The number of Committee meetings is appropriate.
<del>The size of the Committee is appropriate.</del>
The information provided in support of the agenda is appropriate and available in a timely manner in advance of Board meetings.
The Committee Chair manages meetings efficiently to allow for <u>open, equal, and</u> sufficient discussion and constructive input on important issues.
<del>Committee members participate as equals and communicate openly.</del>
<del>The Committee functions without giving undue influence to any single stakeholder or stakeholder group.</del>
Open-ended Question
Observation and Opportunities for Improvement

Comment [e11]: Consolidated with above

Comment [e12]: This is one responsibility

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**NERC**

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# 2013 NERC Performance Report

Quarter 3

Mark Rossi, COO





Corporate Governance and Human Resources Committee Meeting

November 6, 2013

**RELIABILITY | ACCOUNTABILITY**









Objective	Measure of success	Target	Q3 Scaling and Trending	
1) <i>Develop clear, reasonable and technically sound mandatory reliability standards in a timely and efficient manner.</i> These standards establish threshold requirements for ensuring the bulk power system is planned, operated and maintained in a manner that minimizes risks of cascading failures, avoids damage to major equipment, or limits interruptions of bulk power supply.				
<b>Standards are timely, clear and responsive to reliability and security risks.</b>	Percent of board-approved standards that meet quality criteria and results-based construct	Complete initial tabletop quality assessment of all standards and 3 new standards meet quality criteria and results-based construct	●	↔
	CIP V5, BAL-003 frequency response, TPL footnote b, COM-003, and GMD (if ordered) standards filed	All filed within deadlines (COM-003 by yearend)	●	↔
	Percent reduction in existing FERC standards directives, year beginning to yearend excluding new	50% reduction from December 31, 2012 (filed or otherwise resolved)	●	↔
	Standards process reforms completed per board 2012 resolutions	All reform resolutions operational by yearend	●	↔
<b>Standards are practical to implement and cost effective</b>	Requirements to be retired (Paragraph 81 – Phase 2)	Requirements to retire identified, standards revisions approved and filed	●	↔
	Model standard application guide/RSAW, consolidating existing documents	10% of standards have associated application guide/RSAW completed in new format	●	↑



Objective	Measure of success	Target	Q3 Scaling and Trending	
<p>2) <i>Be a strong enforcement authority that is independent, without conflict of interest, objective and fair.</i> The ERO retains and refines its ability to use standards enforcement when warranted and impose penalties and sanctions commensurate with risk.</p>				
<p><b>The ERO registers entities commensurate with risk to the bulk power system and ensures all key reliability entities are certified to have essential capabilities</b> - Framework and plan to begin in 2014</p>				
<p><b>The ERO holds industry accountable for violations that create serious risk to the bulk power system; resulting actions are timely and transparent to industry</b></p>	<ul style="list-style-type: none"> <li>Aging curve to monitor aging of caseload (2%)</li> <li>Twelve-month rolling average of active violations divided by monthly filings and dismissals (caseload index) (3%)</li> <li>Number of active possible violations preceding January 1, 2012 (3%)</li> </ul>	<ul style="list-style-type: none"> <li>Caseload aging curve developed and benchmarked baseline established for 2013</li> <li>10 months</li> <li>Zero, excluding those held by appeal, regulator or court</li> </ul>		<p>↔</p>
				<p>↔</p>
				<p>↔</p>
	<p>Mitigation aging curve</p>	<p>Mitigation aging curve developed and benchmarked baseline established for 2013</p>		<p>↑</p>

Objective	Measure of success	Target	Q3 Scaling and Trending	
3) <i>Promote a culture of compliance that addresses reliability risks across the industry.</i> The ERO works with industry to identify standards, procedures, practices and controls to address reliability risks.				
Industry has effective procedures and programs to monitor, detect, correct, report, and prevent compliance, reliability, and security issues.	Compliance reform (RAI) plan developed	Developed to include end state description, roadmap, and procedures and methods (how documents)	●	↔
	Percent self identified violations and findings including FFT	Metric developed and benchmarked baseline established for 2013	●	↑
The ERO uses efficient processes and proportional exercise of discretion to verify that compliance objectives are met by industry	Percent of findings filed through FFT and spreadsheet without settlement agreements, compared to all violations and findings filed excluding dismissals (3%)	50%	●	↔
	Expand FFT to allow determinations to be made by auditors (5%)	Expanded program available and being used at regions		

Objective	Measure of success	Target	Q3 Scaling and Trending	
4) <i>Identify the most significant risks to reliability.</i> The ERO identifies and prioritizes reliability risks, facilitates effective solutions and interventions, and monitors results.				
Risks are identified and prioritized based on reliability impacts, cost/practicality assessments, projected resources, and emerging issues.	State of reliability report	Published by May 15	●	X
	RISC report to Board on priority risks based on industry expert inputs	Risk profile with high priority risks scaled for action and assignment	●	↑
	Risk control initiatives by ERO	Three in progress (e.g., relay mis-operations, situation awareness, human error, cyber attack, or other)	●	X
Events and system performance are consistently analyzed for sequence, cause, and remediation to identify reliability risks and trends, and to inform standards, compliance, and other programs. Industry is well informed of system events emerging trends, risk analysis, lessons learned, and expected actions	Event analysis includes identification of standards and compliance gaps, correlated to severity index	All Category 3 and above events analyzed for risks, standards and compliance gaps; documented risk control strategy in place for top three gaps	●	↑
	Event reports published to industry	All approved reports are posted to secure portal for industry access subject to release authorization by the entity	●	↔
	Lessons learned and recommendations published	8	●	↑



Objective	Measure of success	Target	Q3 Scaling and Trending	
5) <i>Be accountable for mitigating reliability risks.</i> The ERO works with industry stakeholders and experts to ensure the mitigation of known risks to reliability.				
<b>The ERO is tracking industry accountability for critical reliability and security recommendations</b>	Number of BPS category 3, 4 and 5 events excluding weather, flood, or earthquake	<ul style="list-style-type: none"> <li>(+10%): three or less Category 3 events occur and zero Category 4 or 5 events</li> <li>(0%): Zero Category 5 events, one or zero Category 4, and four or less Category 3 events</li> <li>(-10%): a Category 5 event occurs or two Category 4 events or five or more Category 3 events</li> </ul>		
Industry is aware of and is effectively addressing security vulnerabilities and threats. Industry security posture is being evaluated and continuously improved	ES-ISAC fully utilized	80% of RCs and TO/TOPs; 50% of all other registered entities; industry submitting average of ten information items per month last six months of 2013		
	Number of maturity model assessments completed	12		
	GridEx	Exercise completed with extreme scenario, executive leadership component, and 100 plus entities engaged		

Objective	Measure of success	Target	Q3 Scaling and Trending	
<p>6) <i>Promote a culture of reliability excellence.</i> The ERO facilitates a learning environment throughout the industry through event causal analysis, communication of lessons learned, tracking of recommendations, and implementation of best practices.</p>				
<p><b>ERO is a leading resource to industry and policy makers for reliability information</b></p>	<p>Assessment reports</p>	<p>LTRA (November 20), seasonal assessments (May 15 and November 20), and two special issues report</p>		
<p>Reliability modeling and data accurately represent system behavior and are shared among reliability entities</p>				

Objective	Measure of success	Target	Q3 Scaling and Trending	
7) <i>Improve transparency, consistency, quality and timeliness of results; operate as a collaborative enterprise; and improve efficiencies and cost effectiveness.</i> The ERO accomplishes this through effective coordination, collaboration and process improvements. The ERO communicates expectations clearly and foster collaboration to deliver important results in advancing system reliability. The ERO engages the support of stakeholders, being an efficient steward of resources, and leveraging information systems to create efficiencies and process controls.				
The ERO acquires, engages, and retains highly qualified talent suited to the mission.	Qualifications	ERO qualifications description for two additional common ERO Enterprise positions.	●	↔
	ERO enterprise (NERC and Regional Entity) infrastructure and applications	Secure, backed up infrastructure, database, and communications platform is designed, three ERO PMO applications are operational	●	↑
<b>ERO internal risks are understood and managed; ERO processes are effective, efficient, and continuously improved</b>	Budgetary	Total year end operating expense and fixed asset expenditures do not exceed an amount equivalent to the approved operating expense and fixed asset expense budget plus an amount equivalent to the budget for known operating reserve contingencies.	●	↔
	Regional Entity Working Capital and Operating Reserve Policies	Common working capital and operating reserve framework in place across NERC and all regions	●	↔
	5 Year Assessment		●	↑
	FERC Audit	Complete 2013 Implementation Plan	●	↑
	Risk Management Workplan	Complete workplan - 100%	●	↑
				●

## I. Standards

- Independent Experts Review Report completed and delivered to Board
- Solutions designed for standards process reforms

## II. Compliance, Registration and Certification

- Mitigation aging curve benchmarked and data collection underway

## III. Risks to Reliability

- Metric benchmarked for self identified violations and findings – 70%
- Reliability Issues Steering Committee (RISC) Report on priority risks delivered to Board
- 6 risk control initiatives completed
- 11 lessons learned posted
- 6 maturity model assessments completed
- GridEx planning underway
- LTRA and special reliability assessment report initiated

## **IV. Coordination and Collaboration**

- Compliance Auditor Capabilities and Competencies Guide underway
- Projected to meet budgetary target
- Five-Year ERO Assessment survey underway

## I. Standards

- Percent reduction in existing FERC standards directives

## II. Compliance, Registration and Certification

- Reduction in active violations – Block of historical violations continues taking longer than expected to process

## III. Risks to Reliability

- Events and system performance - Analyze all Cat 3 events and document risk control strategy for three gaps

## IV. Coordination and Collaboration

- ERO Enterprise applications (EIDS and Standards Balloting)
- Risk management work plan: Audit plan, quality assessment, ERO risk management framework, and annual risk assessment.

## Staffing and Recruiting Update

### Action

None

### Background

Talent acquisition remains a core priority for the Human Resources (HR) team and a significant opportunity to augment the enterprise with hires with industry-leading technical competency and close alignment to NERC's mission, core values, and consequent ability to make sustained contributions towards long-term objectives.

Through use of best practices, HR continues to significantly enhance the quality and fit of talent while not exceeding approved budget for headcount. The period of July through September 2013 saw the exit of five (5) and hiring of five (5) employees.

Open, approved headcount in the 2013 budget remains a priority, and HR anticipates filling these roles with top talent in 2013 at or under budget.

Below are descriptions of the five (5) hires that have been completed from July 1 through September 30, 2013.

#### Standards Developer

**Marisa Hecht** joined NERC in July as a Standards Developer reporting to Howard Gugel. Prior to joining NERC, Marisa worked at Van Ness Feldman, LLP, where she was an Associate Attorney practicing energy regulatory law in Washington, D.C. While at the firm, Marisa assisted clients in electric and natural gas matters before federal agencies, such as the Federal Energy Regulatory Commission and the Environmental Protection Agency.

Marisa graduated from Princeton University with a Bachelor's degree in History. She received her law degree from American University, Washington College of Law.

#### Associate Counsel

**Thomas DeVita** joined NERC in August as an Associate Counsel reporting to Rebecca Michael. Thomas has been a legal intern at NERC for the past year. Prior, he served as an intern for California Independent System Operator (CAISO), Solar Energy Industries Association (SEIA), and Horizon Wind Energy.

Thomas received his Bachelor of Arts degree from Wake Forest University and holds a Juris Doctorate from American University Washington College of Law.

#### Senior Engineer of Reliability Assessment

**Noha Abdel-Karim** joined NERC in August as a Senior Engineer of Reliability Assessment reporting to John Moura. Prior, Noha worked as a consultant at Pyramid Consulting International. Her role was to implement new operational strategies and identify cost-cutting ideas at a fossil fuel plant to foster an environment of continuous improvement, thus providing a competitive advantage to the plant in its designated electricity market while at the same time

ensuring compliance with safety and environmental regulations. Prior to that, Noha worked as a post-doctoral fellow at Carnegie Mellon University on developing operation and planning uncertainty models of electricity systems characterized by large scale integration of renewable energy.

Noha received her Doctor of Philosophy degree in 2012 from the Engineering & Public Policy Department at Carnegie Mellon University. She also earned her BS and MS degrees in 2002 and 2006, respectively, in Electrical Power and Control Engineering from the Arab Academy of Science and Technology (AAST) in Egypt.

#### **Event Investigator**

**Hugo Perez** joined NERC in September as an Event Investigator reporting to Jim Stuart. Prior to joining NERC, Hugo worked as a Senior Engineer in Transmission Planning with Southern Company Services in Atlanta; he also worked for Georgia Power Company as a Support Engineer with System Operations and as a substation Test Engineer in Metro Atlanta.

Hugo holds a Bachelor of Science degree in Electrical Engineering with emphasis in Power Systems from the National University of Colombia (Bogota, Colombia). Hugo is also registered as a Professional Engineer in the state of Georgia and is a NERC Certified System Operator – Reliability.

#### **Staff Accountant**

**Robert Cole Thompson** began at NERC in September as a Staff Accountant reporting to Sabina Lam. Prior to joining NERC, Cole worked for Altisource in Atlanta, Georgia and also served with Motovario Corporation as an Accounting Assistant in Alpharetta, Georgia.

Cole holds a Bachelor of Business Administration, Accounting Major degree from the North Georgia College & State University in Dahlonega, GA.