

Agenda

Member Representatives Committee

November 6, 2013 | 1:30-5:30 p.m. Eastern

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

Introductions and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Consent Agenda

1. **Minutes* — Approve**
 - a. October 9, 2013 Conference Call
 - b. August 14, 2013 Meeting
2. **Future Meetings***
3. **Elections and Nominations***
 - a. Election of MRC Officers for 2014
 - b. Update on MRC Sector Nominations and Election
 - c. Update from the Board of Trustees Nominating Committee

Regular Agenda

4. **Remarks from Gerry Cauley, NERC President and CEO**
5. **Responses to the Board of Trustees' Request for Policy Input***
 - a. Operating Personnel Communication Protocols – COM-003-1
6. **Additional Policy Discussion of Key Items from Board Committee Meetings***
 - a. Corporate Governance and Human Resources Committee
 - b. Standards Oversight and Technology Committee
 - c. Compliance Committee: Status and progress of the Reliability Assurance Initiative (RAI) and Find, Fix, Track, and Report (FFT) and the Critical Infrastructure Protection (CIP) Transition
 - d. Other
7. **Review of Standards Process Input Group (SPIG) Implementation***
8. **Bulk Electric System Implementation Team Status Update***
9. **Overview of the Long-Term Reliability Assessment Report and Winter Assessment Conclusions***

10. Legal Update

- a. Proposed Amendments to Technical Feasibility Exception Procedure*
- b. Status of NERC Rules of Procedure Section 500 and Appendix 5A Revisions*

11. Regulatory Update*

12. Comments by Outgoing Chair and Chair Elect

*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 Member Representatives Committee Pre-Meeting Informational Conference Call and Webinar

October 9, 2013 | 11:00 a.m. Eastern

Chair Carol Chinn, with Vice-Chair John Anderson present, convened a duly-noticed open meeting by conference call and webinar of the North American Electric Reliability Corporation Member Representatives Committee (MRC) on October 9, 2013 at 11:07 a.m., Eastern. The meeting provided the MRC and other stakeholders an opportunity to preview proposed agenda topics for the MRC, Board of Trustees (Board) and Board committee meetings scheduled to be held November 6-7, 2013 in Atlanta, Georgia. The meeting announcement, agenda, and list of attendees are attached as **Exhibits A, B, and C**, respectively.

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Holly Mann, committee secretary, directed the participants' attention to the NERC Antitrust Compliance Guidelines and the public meeting notice included in the agenda.

Ms. Mann declared a quorum present with the following recognized proxies:

- Allen Mosher for Tim Arlt – State / Municipal Utility
- Barry Lawson for Jay Bartlett – Cooperative Utility
- Bill Gallagher for John Twitty – Transmission Dependent Utility
- Michael Desselle for Nick Brown – ISO/RTO
- David Barrett for Bruce Campbell – ISO/RTO

Policy for Documenting Meeting Minutes

The MRC approved, on a motion by Steve Naumann and seconded by Bill Gallagher, the draft policy for documenting the minutes of the MRC meetings.

The MRC approved, on a motion by Bill Gallagher and seconded by Bob Schaffeld, the draft minutes of its July 17, 2013 conference call and May 8, 2013 meeting (**Exhibits D and E**, respectively). The draft minutes from the August 14, 2013 MRC meeting in Montreal will be reviewed by the MRC for approval during its November 6, 2013 meeting in Atlanta.

Review of Proposed MRC Agenda Items for November 6, 2013

Ms. Chinn reviewed the preliminary MRC agenda items, via a slide presentation, for the upcoming November 6 meeting in Atlanta (**Exhibit F**). Topics include:

- Election of MRC officers for 2014;
- Update from the Board of Trustees Nominating Committee (BOTNC);
- Update on the schedule for MRC sector elections;

- Review of the implementation of the Standards Process Input Group (SPIG) recommendations;
- Update on the Bulk Electric System (BES) implementation team;
- Update on the material change in the facts underlying approval of the Technical Feasibility Exception (TFE)
- Discussion of the responses submitted to the policy input request from the Board; and
- Additional discussion of the issues presented at the Board committee meetings on November 6.

Review of Proposed Board and Board Committees' Meeting Agenda Items

Ms. Chinn and NERC staff reviewed the preliminary agenda items, via a slide presentation, for the Board of Trustees and Board committee meetings scheduled for November 6-7 in Atlanta (**Exhibit F**). Ms. Chinn encouraged MRC members to review all agenda materials for the Board and Board committee meetings, once posted and available on October 23, and attend as many of these meetings as possible, in advance of the MRC's meeting on November 6.

Schedule of Events for Upcoming Meetings

The draft schedule of events for the upcoming meetings in Atlanta was included in the agenda package for today's meeting. The MRC meeting is scheduled to begin at 1:30 p.m. on November 6.

Informational Updates

NERC staff and industry representatives provided updates on the following topics: Critical Infrastructure Protection (CIP) transition program; status of Reliability Assurance Initiative (RAI) and find, fix, track and report (FFT) initiatives; and preliminary conclusions of the 2013 long-term reliability assessment and candidates for special assessments.

Policy Input Reminder

The Board's request for policy input is scheduled to be released today and responses are due by Wednesday, October 30 to Holly Mann, committee secretary.

Proxy Reminder

Proxy notifications for the November 6 meeting must be submitted in writing to Holly Mann, committee secretary.

Meeting Adjourned

There being no further business, the call was terminated at 1:00 p.m., Eastern.

Submitted by,



Holly Mann, Secretary

Minutes

Member Representatives Committee

August 14, 2013 | 1:30 - 5:30 p.m. Eastern
Fairmont The Queen Elizabeth
900 Rene Levesque Blvd. W
Montreal, QC H3B 4A5 Canada

Chair Carol Chinn, with Vice-Chair John Anderson present, called to order the North American Electric Reliability Corporation (NERC) Member Representatives Committee (MRC) meeting on August 14, 2013 at 1:30 p.m., Eastern. The meeting announcement, agenda, and list of attendees are attached as **Exhibits A, B and C**, respectively.

NERC Antitrust Compliance Guidelines and Public Meeting Notice

Holly Mann, committee secretary, called attention to the NERC antitrust compliance guidelines and the public meeting notice. Any questions should be addressed to NERC's general counsel, Charles Berardesco.

Ms. Mann declared a quorum present with the following recognized proxies:

- Lam Chung for Lorne Midford – Federal/Provincial
- Larry Nordell for Charles Acquard – Small End-Use Electricity Customer
- Todd Snitchler for Thomas Dvorsky – State Government
- Stacy Dochoda for Robert Hunzinger – Regional Entity

Introductions and Chair's Remarks

Ms. Chinn welcomed attendees and acknowledged the ten year anniversary of the August 14, 2003 blackout that encompassed parts of the upper midwest and northeast United States and eastern Canada. Ms. Chinn recognized the MRC's responsiveness to the July 17 policy input request from Fred Gorbet, chairman of the NERC Board, and requested that an additional item be added to the agenda for further discussion regarding the recent release of a draft 345kV circuit breaker alert by NERC.

Minutes

The MRC abstained from taking formal action regarding the draft minutes of its July 17, 2013 conference call and May 8, 2013 meeting (**Exhibits D and E**, respectively). John Anderson and Steve Naumann agreed to coordinate with other member representatives to develop a written policy, similar to the policy that exists for the NERC Board and its standing committees, for documenting the minutes of the MRC meetings. Any outstanding draft minutes will be revised and reviewed per the new policy at a future MRC meeting.

Nominations

Board of Trustees Nominating Committee (BOTNC)

Dave Goulding, chair of the BOTNC, reported that there are four trustees whose terms expire in February 2014 and have expressed their desire for re-election: Fred Gorbet, Paul Barber, Janice Case and Roy Thilly. The BOTNC determined there is no reason to engage a search firm for additional nominees. The BOTNC will meet during the November 2013 quarterly meetings to review the candidacy of each trustee seeking re-election and to develop a report for the MRC's review in December 2013. The MRC will vote to re-elect all four trustees in February 2014.

The BOTNC includes five members of the MRC:

1. Carol Chinn - MRC Chair
2. John Anderson - MRC Vice Chair
3. Bob Schaffeld – Investor-Owned Utility Sector
4. Todd Snitchler – State Government Sector
5. Scott Helyer – Merchant Electricity Generator Sector

Nominations and Election of MRC Officers and Sector Representatives

Ms. Chinn announced the annual nomination and election of the MRC chair, vice chair and member representatives from each sector. The schedule for the 2014 nominations and elections is as follows:

MRC Officer Nominations and Elections:

Friday, August 30 – nomination period opens

Monday, September 30 – nomination period closes

Wednesday, November 6 – election of officers for following year by current MRC members

MRC Member Nominations and Elections:

Tuesday, September 10 – nomination period opens

Tuesday, November 12 – nomination period closes

Monday, December 2 – election begins

Thursday, December 12 – election ends

Remarks from Gerry Cauley, NERC President and CEO

Mr. Cauley recognized areas where progress has been achieved since the blackout event of 2003: mandatory standards and compliance and entity registration programs are now in effect; enforcement penalties and consequences are maturing; and event reporting, data analysis, metrics and trending are in place to help ensure patterns do not reoccur.

Responses to the Board's Request for Policy Input

Ms. Chinn acknowledged the MRC's responses to Fred Gorbet's July 17 letter requesting policy input. Attendees shared comments related to a number of issues included in the letter or as part of their

responses to the Board. These comments are not all inclusive, but provide the general tenor and scope of the discussion:

Geomagnetic Disturbance (GMD), guidance to drafting team

- This type of standard is different from most reliability standards developed by NERC. It is difficult to pick a specific number for planning purposes since no one knows for sure the impact, cost and mitigation of a 1 in 50 year or 1 in 100 year event. It is important to be flexible as the model matures and as the GMD task force (GMDTF) develops further information to review impacts, costs, mitigation.
- It is unclear how the cost effectiveness principles and techniques can be applied to GMD standards, due to technical uncertainty. ~~developed for this standard, are going to be applied to other standards going forward.~~ At some point there may be diminishing return for the money and resources invested in this planning effort. Cost effectiveness processes developed by the Standards Committee should be applied to all standards projects going forward in 2014.

Bulk Electric System (BES), Phase 2

- The review of the compliance registration criteria is intended to determine efficient ways of registering entities based on the function(s) performed, assets maintained, and other responsibilities. However, there are questions about whether the BES definition may drive the review and alignment of the compliance registry criteria.
- There is concern that costs and benefits are not adequately being addressed.
- Additional detail is requested about the tool being developed, that includes a reconsideration provision, to address questions related to the BES exclusion process.
- NERC and the standard drafting team (SDT) are encouraged to take an approach that makes sense when determining what standards should apply to the inclusion of distributed generation (wind and solar).

Critical Infrastructure Protection (CIP) transition guidance

- There is a desire for more information regarding the consistent implementation of the CIP transition process and implementation studies across all the Regions. Entities need to understand what compliance monitoring and enforcement requirements they will be held to while transitioning to Version 5. There is concern that Version 5 will bring a bow wave of compliance filings.
- There is confusion around the regulatory uncertainty associated with the reliability coordinator's (RC) responsibility to review and approve critical asset lists as part of the transition.
- There are a number of entities that are not presently covered by the transition guidance so NERC is encouraged to include an educational and outreach portion, especially for entities that do not apply today, but will apply in a few months.
- NERC agreed to maintain a running dialogue with industry by developing a frequently asked questions (FAQs) document to address some of the implementation questions associated with the transition.

Electricity Sub-Sector Coordinating Council (ESCC), activities to-date

- The new charter, subject to Board's endorsement on August 15, removes any previous obligation of the MRC to nominate and appoint ESCC members.
- There may be a future opportunity for a NERC Board of Trustee member to observe the ESCC meetings.
- There is concern that industrial consumers were excluded from the development of this new effort.

Standards Development Process

- An appeal was filed in response to the Standards Committee's (SC) actions to simultaneously post, for multiple projects, a SAR and a draft standard for comment and balloting. Industry has been asked to vote on SARs while the same informally-developed standards are out for ballot. These actions are believed to be in conflict with standard processes manual (SPM) and American National Standards Institute (ANSI) principles.
- Many among industry desire to move standards development along at a quicker and more immediate pace, but recognized that there needs to be judicious use of the informal development process until improvements can be made and documented in the SPM.

Additional Policy Discussion from Board Committee Meetings

Attendees shared comments in response to the discussions from the Board committee meetings:

Corporate Governance and Human Resources Committee

- The annual effectiveness evaluation of the NERC Board will soon commence and be available to the voting and non-voting members of the MRC. Several edits were incorporated into this year's evaluation. The MRC will receive these proposed edits to review and comment on in the upcoming weeks.
- The 2014 cycle for establishing and/or confirming the ERO Enterprise goals, objectives and performance metrics is scheduled to begin soon for NERC and the Regions. The MRC is encouraged to provide input earlier in this process and focus on the alignment with industry. Public posting will be available in the upcoming months.

Compliance Committee: Status and progress of the Reliability Assurance Initiative (RAI) and Find, Fix, Track and Report (FFT)

- Industry is interested in accelerating the Find, Fix, and Record (FFR) process. In the interim, the timeline for making a determination for treatment as FFT has not been communicated in enough detail.
- NERC acknowledged that the early triage process, to make a quick determination for processing minimal risk issues as an FFT, will soon be in place throughout the ERO Enterprise.

Standards Oversight and Technology Committee: Balloting of the BES and COM-003 and proposed solutions

- In follow-on to the Board's request for additional responses to the draft COM-003-1 Reliability Standard, the Operating Committee (OC) will review the reports of the Reliability Issues Steering Committee (RISC), the Independent Experts Review Panel, and NERC management. The OC will provide its response to the Board in advance of the November 2013 meetings.
 - There is concern with the clarity of compliance associated with the standard, as drafted.
 - Additional consideration needs to be given to certain reliability directives that are issued as an "all-call" where three part communication is not used. The only way to reach compliance under these circumstances is not to announce an "all-call" as a reliability directive.
- The Independent Experts Review Panel made recommendations through its [report](#). The focus should now be on efficiently and effectively reviewing those recommendations, developing an implementation plan and providing a status report that addresses any gaps that have been identified by the panel.
- There should be additional focus on evaluating requirements that meet the Paragraph 81 criteria. Removing requirements from the actively monitored list (AML) does not change the expectation to comply and/or demonstrate compliance. Removing from the AML may lighten the compliance burden, but does not remove the legal obligation until the action to remove is acted on by the Board.
 - Some of the requirements, being retired as part of the 147, could be transitioning to the North American Energy Standards Board (NAESB) for further action.

Business Plan and Budget (BP&B) Process

Report from the MRC BP&B input group

- The input group was organized in August 2012 to review the ERO responsibilities and contribute to the criteria for determining the scope of Section 215 activities. The group also provided input and guidance throughout the development of the 2014 BP&B. The role of the input group is not to represent the full MRC membership in the development of the budget, but to give NERC early input.
- It is likely that the input group's coordination with NERC and the Regions will continue for the 2015 budget cycle. Anyone interested in participating from the MRC should contact Carol Chinn or John Anderson in advance of the November 2013 meetings.

Review of 2014 process changes

Mike Walker, senior vice president and chief financial and administrative officer, NERC, summarized improvements to the annual development of the BP&B process. There is a concerted focus to integrate the activities underway by the RISC, MRC and other committees into the 2015 BP&B. The goals, objectives and performance metrics for 2014 will also be included in the development of the BP&B. Preliminary discussion of the 2015 BP&B cycle and integration of priority activities is expected during Q1 of 2014.

Reliability Issues Steering Committee (RISC)

Prioritization Report

Chris Schwab, chair of the RISC, presented the committee's [prioritization report](#) that includes the results of a gap analysis on each of the high and medium-priority issues identified earlier in the year. A new issue, "Adaptation and Planning for Change," was added to the high-priority list with ongoing encouragement to align the priorities of the RISC with other initiatives such as the 2015 BP&B and NERC's *Long-Term Reliability Assessment* (LTRA).

Attendees shared comments related to this report:

- It is unclear how an issue like overdependence on natural gas would be identified through the RISC's prioritization and then advanced for consideration during the development of the BP&B.
- A culture change and growth has to occur so that the RISC and others rely on the results of a true gap analysis to determine the prioritization of issues and decide on when and how these issues will be resourced.
- There is concern that the information provided to the RISC may be used for enforcement purposes.
- RISC priorities are intended to inform program areas at NERC, but it is still unclear how the RISC ranking along with the recommendations of other efforts such as the Independent Experts Review Panel will be used by NERC in the BP&B process.

RISC Charter

In accordance with Section 11 of the [RISC Charter](#), the MRC conducted its review, at the first year anniversary of the RISC's formation, and offered no suggested changes or adjustments.

Draft 345kV Breaker Alert

Ms. Chinn notified the MRC of an addition to the agenda regarding the discussion of a proposed alert, from NERC's event analysis program, regarding the failure of circuit breakers. Attendees shared comments related to this proposed alert:

- The event analysis process worked well, but an advisory, instead of a recommendation or an alert, seems to be more appropriate for informing industry of this risk. There is a potential policy concern regarding asset management. Where does NERC's event analysis end and asset owners' asset management begin?
- How does NERC receive some assurance that a potential reliability issue is being addressed by industry? NERC communicated that when it becomes aware of an identified problem with a likelihood of reoccurrence, it has a responsibility to inform the industry and provide some assurance to industry and regulators that the problem is being addressed.
- It was suggested that NERC work with the North American Transmission Forum (NATF) and the North American Generator Forum (NAGF) to confirm, through an aggregated effort, that their members have looked into this issue and have a plan in place to remediate, as necessary.

Long Term Reliability Assessment: Emerging Issues and Potential Special Assessment Candidates

Tom Burgess, director of reliability assessment and performance analysis, NERC, announced recent survey efforts to engage the MRC and other committees in the development of the long term reliability assessment (LTRA) and the identification of emerging issues for the enhancement of bulk system reliability. The NERC Planning Committee identified the following long-term challenges:

- a. Continued Integration of Variable Generation
- b. Increased Dependence on Natural Gas for Electric Power
- c. Fossil-Fired Retirements and Coordination of Outages for Environmental Control Retrofits
- d. Wide-Scale Nuclear Generation Retirements and/or Long-Term Outages
- e. Increased Use and Role of Demand-Side Management
- f. Increasing Uncertainty in Load Forecasts
- g. Transmission Siting, Permitting, and other Right-of-Way Issues
- h. Aging Infrastructure

Attendees shared comments related to this issue:

- Additional information is needed to better understand the challenges associated with the integration for variable generation, specifically if the increased solar penetration adds any additional challenges to this process.
- It is not clear how the survey results, RISC priorities, and other cross-collaborative efforts are being integrated and considered in the BP&B process and the development of LTRA and special assessments.
- Resources must be leveraged outside of NERC to include communications and information sharing, especially for the area of physical security.

Future Meetings

Ms. Chinn recognized a request from the MRC to consider future meeting locations that are more central to the United States, in the mid-western states. The following are future NERC Board and MRC meeting dates and locations:

- November 6-7, 2013, Atlanta, GA
- February 5-6, 2014 Phoenix, AZ
- May 6-7, 2014 - Philadelphia, PA¹
- August 13-14, 2014 - Vancouver, Canada
- November 12-13, 2014 - Chicago/St. Louis²
- February 11-12, 2015 - San Francisco or San Diego, CA (final site to be determined)
- May 6-7, 2015 - Washington, DC
- August 12-13, 2015 - Toronto, Canada
- November 4-5, 2015 - Atlanta, GA

¹ This location was confirmed following the MRC meeting on August 14, 2013.

² This location was proposed following the MRC meeting on August 14, 2013.

Update on Regulatory Matters

Charles Berardesco, senior vice president and general counsel, NERC, invited questions or comments regarding the new format of the regulatory report which highlights Canadian affairs as well as past and future significant FERC filings.

Adjournment

There being no further business, the meeting terminated at 5:30p.m., Eastern.

Submitted by,



Holly Mann
Secretary

Future Meetings

Action

None

Summary

The following are the future meeting dates as approved by the NERC Board of Trustees on August 15, 2013.

2014 Dates

February 5-6	Phoenix, AZ
May 6-7	Philadelphia, PA
August 13-14	Vancouver, Canada
November 12-13	Chicago/St. Louis (final site to be determined)

2015 Dates

February 11-12	San Francisco or San Diego, CA (final site to be determined)
May 6-7	Washington, DC
August 12-13	Toronto, Canada
November 4-5	Atlanta, GA

Election of Committee Officers for 2014

Action

Elect Officers for 2014

Background

Article VIII, Section 5 of the NERC Bylaws addresses election of the chair and vice chair of the Member Representatives Committee (MRC). Article VIII states:

Section 5 — Officers of the Member Representatives Committee — At the initial meeting of the Member Representatives Committee, and annually thereafter prior to the annual election of representatives to the Member Representatives Committee, the Member Representatives Committee shall select a chairman and vice chairman from among its voting members by majority vote of the members of the Member Representatives Committee to serve as chairman and vice chairman of the Member Representatives Committee during the upcoming year; provided, that the incumbent chairman and vice chairman shall not vote or otherwise participate in the selection of the incoming chairman and vice-chairman. The newly selected chairman and vice chairman shall not have been representatives of the same sector. Selection of the chairman and vice chairman shall not be subject to approval of the board. The chairman and vice chairman, upon assuming such positions, shall cease to act as representatives of the sectors that elected them as representatives to the Member Representatives Committee and shall thereafter be responsible for acting in the best interests of the members as a whole.

The nominating period for the two officer positions of the MRC for 2013 opened on August 30, 2013 for a 30-day nominating period that closed September 30, 2013.

The election of officers at this meeting, and the current nomination period for sector members for 2014–2015, provides for filling sector vacancies resulting from a member being elected to an officer position. The nominating period for sector members continues through November 12, 2013. The nominees for MRC chair and vice chair for 2014 are:

Chair – John Anderson

Vice Chair – Sylvain Clermont

Update on Member Representatives Committee Sector Elections

Action

None

Background

Chair Carol Chinn will remind members of the current sector nomination period for those representatives whose term expire in February 2014. The nomination period opened on September 10, 2013 and will close November 12, 2013. Sector elections are scheduled to begin December 2, 2013 and end December 12, 2013.

MRC Member Nominations and Elections

Tuesday, September 10 – nomination period opens

Tuesday, November 12 – nomination period closes

Monday, December 2 – election begins

Thursday, December 12 – election ends

Reference links

[Membership of MRC for 2013-2015](#)

[NERC Bylaws](#)

Update from the Board of Trustees Nominating Committee

Action

None

Background

On May 8, 2012, Chair Carol Chinn invited MRC members to volunteer to serve on the Board of Trustees Nominating Committee (Nominating Committee). In response to this solicitation, several members of the MRC expressed interest in serving with MRC Chair and Vice Chair on the Nominating Committee, as listed below:

1. **Carol Chinn** (MRC Chair)
2. **John Anderson** (MRC Vice Chair)
3. **Bob Schaffeld** – Investor-Owned Utility Sector
4. **Todd Snitchler** – State Government Sector
5. **Scott Helyer** – Merchant Electricity Generator Sector

Board Nominating Committee chair, Dave Goulding, will provide a status report on the planned activities and schedule for the Nominating Committee.

Responses to the Board of Trustees' Request for Policy Input

Action

Discuss

Background

The policy input letter is issued by the Chair of the NERC Board of Trustees four weeks in advance of the quarterly meetings and includes relevant materials necessary to inform discussion. Written input from the MRC and stakeholders is due one week before the meetings and is then revisited during a dedicated discussion time on the MRC's agenda, in the presence of the Trustees.

Status

On November 6, the MRC can expect to participate in further discussion of the responses received to the policy input request that was distributed on October 9.

Deadline for submitting policy input responses is **October 30, 2013** and should be sent to Holly.Mann@nerc.com

Enclosed Attachment

November 2013 Board of Trustees Letter Requesting Policy Input

Additional Policy Discussion of Key Items from Board Committee Meetings

Action

Discuss

Background

During the February 2013 meetings in San Diego, the NERC Board of Trustees (Board) and MRC discussed some of the feedback received from the MRC's 2012 effectiveness survey of the Board. In follow-on, the MRC conducted its own survey to collect the views and perspective of its sector representatives on improving the timing, format and quality of the MRC conference calls and meetings; to propose topics for future MRC agendas and policy input requests; and to increase the MRC's effective interaction and dialogue with the Board.

On March 15, Fred Gorbet, chair of the Board, Carol Chinn, chair of the MRC, and Gerry Cauley, president and CEO of NERC co-issued a letter that announced various changes and improvements to the quarterly meetings of the Board, its committees and the MRC.

Throughout the 2013 quarterly meetings, the MRC has increased its participation and dialogue during the Board committee meetings. The formal presentation of agenda items, scheduled for action during the Board committee meetings, has not been duplicated during the MRC meeting that followed.

Status

On November 6, the MRC can expect to continue its increased participation and dialogue during the Board committee meetings in Atlanta. The MRC will have additional time for policy discussion, as part of its own agenda, to respond to the information that is presented during the committee meetings.

The November 6, 2013 Board committee agendas and associated background materials can be found at the following links:

[Corporate Governance and Human Resources Meeting Agenda](#)

[Standards Oversight and Technology Committee Meeting Agenda](#)

[Compliance Committee Meeting Agenda](#)

Review of Standards Process Input Group (SPIG) Implementation

Action

Discuss

Background

The SPIG was organized in 2012 by the MRC in response to the NERC Board of Trustees' (Board) request to improve the priority, product and process of standards development. The SPIG issued five recommendations in its effort to better understand, articulate and incorporate, into the standards process, the appropriate accountabilities for standards development. The five recommendations are as follows:

1. NERC should continue to meet the minimum requirements of the American National Standards Institute (ANSI) process to preserve ANSI accreditation.
2. The NERC Board is encouraged to form a Reliability Issues Steering Committee (RISC) to conduct front-end, high level review of nominated reliability issues and direct the initiation of standards projects or other solutions that will address the reliability issues.
3. The NERC Board is encouraged to task NERC management, working with a broad array of ERO resources (e.g., MRC, technical committees, Regional Entities, trade associations, etc.) to develop a strategy for improving the communication and awareness of effective reliability risk controls which increases input and alignment with state, federal, and provincial authorities.
4. The NERC Board is encouraged to require that the standards development process address:
 - The use of results-based standards;
 - Cost effectiveness of standards and standards development;
 - Alignment of standards requirements/measures with Reliability Standards Audit Worksheets; and
 - The retirement of standards no longer needed to meet an adequate level of reliability.
5. The NERC Board is encouraged to require the standards development process to be revised to improve timely, stakeholder consensus in support of new or revised reliability standards. The Board is also encouraged to require standard development resources to achieve and address:
 - Formal and consistent project management; and
 - Efficient formation and composition of Standard Drafting Teams.

Status

During its November 6 meeting, the MRC will review each of the SPIG's recommendations and discuss the implementation status of the various activities associated with each recommendation. The MRC anticipates discussing whether the recommendations were implemented as originally written or adjusted over the last year to ensure improvements to the standards development process. Most importantly, the MRC is expected to discuss whether there are still existing gaps in the five areas that need additional focus going forward.

The following are scheduled to report on their respective recommendation(s) and engage in further discussion with the MRC on November 6.

Brian Murphy, Chair of the NERC Standards Committee

Chris Schwab, Chair of the RISC

Janet Sena, Senior Vice President and Director of External Affairs, NERC

If you have questions or need additional information, please contact Scott Helyer at SHelyer@tnsk.com.

Reference links

[NERC Standards Committee Strategic Work Plan, 2014-2016](#)

[Guidelines for NERC Standards Committee Coordination with the Reliability Issues Steering Committee \(RISC\)](#)

Bulk Electric System Implementation Team Status Update

Action

None

Background

NERC's revised definition of Bulk Electric System (BES), including a core definition, inclusions and exclusions, and the associated implementation plan (referred to as the "Phase 1" definition), becomes effective July 1, 2014. Appendix 5C of NERC's Rules of Procedure sets forth the process to be followed with respect to requests for inclusion and exclusion from the BES.

Work continues to revise the BES definition in Phase 2 of the project, which was initiated to address industry comments submitted during the Phase 1 development, as well as regulatory directives from Orders No. 773 and 773-A. A ballot of the Phase 2 BES definition closed on October 28, 2013. The definition is expected to be posted for a 10-day final ballot beginning the week of November 11, 2013, subject to drafting team consideration of stakeholder comments submitted during the concurrent comment period, with adoption by the NERC Board of Trustees (Board) in late November and filing with applicable governmental authorities shortly thereafter.

The Phase 2 revised BES definition includes additional granularity for Inclusion I4 regarding dispersed power producing resources and treatment of sub-100-kv loops.

Status

NERC's objective in implementing the new BES definition is to ensure that proper entities are appropriately registered and responsible for applicable Reliability Standards necessary to ensure the reliability of the Bulk-Power System. Stakeholders, Regional Entities and NERC share a goal of certainty and clarity for the implementation of the BES definition, therefore coordination within the ERO enterprise is crucial. To address this goal, NERC has formed a project team that includes NERC and Regional Entity representatives to work on implementation of the BES definition.

The BES software tool is complete. Deployment training is targeted for Q1-Q2 2014. Guidance documents are being developed and are targeted for Q1 2014. Among the issues to be addressed are: (1) the BES evaluation process and procedure; (2) evidentiary requirements for BES determinations; (3) appeal mechanisms; (4) registration issues; (5) standard applicability; and (6) compliance and enforcement monitoring.

The project team will coordinate these efforts with other endeavors, as applicable.

Overview of the Long-Term Reliability Assessment Report and Winter Assessment Conclusions

Action

None

Background

The *2013 Long-Term Reliability Assessment* is a foundation for industry to provide their plans to maintain reliability for the upcoming 10 years. NERC's primary objective in this effort is to independently assess the reliability of the North American bulk electric system. NERC's assessment highlights reliability concerns, and identifies areas where additional resources may be required to maintain reliability.

In this assessment, NERC evaluated key reliability indicators, including peak demand and energy forecasts, resource adequacy, transmission development, changes in overall system characteristics and operating behavior, and other influential or regulatory issues that may impact the reliability of the Bulk-Power System (BPS).

Over the next 10 years, the electric industry will face a number of significant emerging reliability issues and face transformational change resulting in:

- A dramatically different resource mix with reliance on natural gas and renewable/variable generation,
- A need to address resource adequacy challenges and increasing regulatory uncertainty,
- The integration of new technologies that change fundamental system behaviors, and
- A need for enhanced and robust modeling.

Status of Long-Term Reliability Assessment

The electric industry has prepared plans for the 2014 through 2023 assessment period in an effort to provide reliable electric service across North America. However, in some areas, issues exist that could affect the implementation of these plans.

Highlights of the assessment include:

- Change in Resource Mix
 - Significant Loss of Fossil-Fired Generation Capacity—70 GW of retirements/derates (2012-2023)
 - Increases in Variable Generation—20 GW of on-peak capacity (2023); wind and solar
 - Increasing Dependency on Gas-fired Generation—80 GW to be added; total of nearly 500 GW by 2023
 - Nuclear Generation Retirements—four plants have/will retire in next three years. Uncertainties exist in outcomes of plant recertification and permitting

- Demand-Side Management to offset 80 GW of 2023 peak demand—penetration levels highest in PJM and MISO, ~12% of peak demand
- BPS planners will require better understanding of emerging system inertia, voltage support, and frequency response requirements given the characteristics of the future resource fleet and the loss of steam-driven rotating mass
- Maintaining Resource Adequacy
 - ERCOT below target reserve margin throughout
 - MISO, New England, and parts of WECC below target reserve margin
 - Continuing uncertainty in regulatory landscape (e.g., environmental, markets) will add to resource adequacy challenges
- Additional Long-Term Emerging Reliability Issues include:
 - Transmission siting, permitting, and other right-of-way issues
 - Aging infrastructure
 - Planning for and operational response to physical and cyber attacks
 - Integration of new and smart grid technologies
 - Meeting net loads and demand growth/reduction uncertainty

Supply projections rely on the enhanced performance and upgrading of existing units, addition of new resources (mostly wind and gas generation), and the planned purchase of electricity from neighboring systems. These options have inherent risks and industry participants, policymakers, and regulators must thoroughly understand and manage these risks to ensure the continued delivery of reliable power throughout North America.

Status of Winter Reliability Assessment

While development of the report is still in progress, preliminary data points to all areas exceeding their respective Reference Margin Levels (targets) for the 2013-2014 winter peak.

Highlights of the assessment include:

- Winter load projections in several assessment areas have been in decline, partially due to higher average temperatures during the peak, resulting in lower demands in recent winters. In other cases, decreases are attributed to continued lower levels of economic growth.
- Gas-electric dependencies continue to be an issue in focus for NERC and the entire electric industry. New England and New York, which are especially vulnerable, have provided thorough assessments of winter reliability challenges detailing new efforts to mitigate fuel supply issues and the associated electric power risks.
 - Given the operational challenges experienced in late last winter in New England, along with the pending closure of the Vermont Yankee Nuclear Station and a number of other coal-fired power plants, demand for natural gas use for electric power will be high and potentially beyond the capabilities of the interstate natural gas pipeline.

- These concerns give rise to the recommendations in NERC's 2013 Special Reliability Assessment on natural gas-electric power dependencies—specifically, that current reliability assessment and planning processes do not fully account for the risk of fuel loss. This is apparent given the resource adequacy measures in New England show more than sufficient reserve capacity.
- While mild winter weather is projected in the south, many coordinated efforts across ERCOT, SPP, and SERC. NERC's follow-on activity from the Southwest Cold Weather Event of 2011 included a number of outreach efforts, an Operating Committee-approved reliability guideline for winter weather readiness, and the development of an operator training module for cold weather.

Note: Entergy will be integrated into MISO and presented that way for the first time in the 2013-2014 Winter Assessment. Accordingly, there will be only three SERC areas, SERC-East, Southeast, and North.

Schedule for the Publication of NERC's 2013 Long-Term Reliability Assessment and 2013/2014 Winter Reliability Assessment

- Final review and approval of the assessment by the Planning Committee is scheduled to occur at a conference call meeting in late October.
- The NERC Board of Trustees will consider these two reports for approval at its November 21, 2013 conference call meeting.

Summary of Proposed Amendments to the Technical Feasibility Exception Process in the NERC Rules of Procedure, Appendix 4D

Action

None

Summary

On April 8, 2013, NERC filed a petition for Approval of Revisions to its Rules of Procedure (“ROP”) Appendix 4D (Procedure for Requesting and Receiving Technical Feasibility Exceptions (“TFEs”) to NERC Critical Infrastructure Protection Standards) and Appendix 2 (Definitions Used in the Rules of Procedure) with the Federal Energy Regulatory Commission (“Commission”).¹ Revisions were made to Sections 2.0 through 13.0 of Appendix 4D and the terms “Effective Date,” “Material Change,” “Material Change Report,” “Part A Required Information,” and “Part B Required Information” of Appendix 2. The revisions were developed to streamline the TFE process and ease the administrative burden of the program, while maintaining the substantive criteria for determining whether to approve or disapprove a TFE request.

In a September 3 Order, the Commission approved the April 2013 filing but directed limited revisions to two provisions: Section 6.5 and Section 13.1.² Specifically, the Commission directed NERC to:

1. Revise Section 6.5 in Appendix 4D to specify a time frame for reporting material changes to TFEs upon identification and discovery; and
2. Revise Section 13.1 in Appendix 4D to: (a) require the annual TFE report to the Commission to include data and information regarding Material Change Reports, including the number of Material Change Reports filed annually and information regarding the types of circumstances or events that led to material changes, as well as any additional information NERC believes would be useful, and (b) include additional information regarding TFEs and their expiration dates, including the number of TFEs by expiration year and CIP Standard requirement, the percentage of currently approved TFEs without expiration dates, and the number of new TFEs approved without expiration dates annually.

On September 16, 2013, NERC publicly posted a notice requesting stakeholder comment on proposed revisions to Sections 6.5 and 13.1 of Appendix 4D. The comment period ends on October 31, 2013. NERC has incorporated changes to the posted text to address stakeholder comments received as of October 18, 2013. At this time, NERC is proposing that the Board approve the following amendments:

- 1) With regard to Section 6.5, NERC is proposing changing “thirty (30) days” to “sixty (60) calendar days” and modifying the last sentence to replace the word “for” with the words “and with.”

¹ Docket No. RR13-3-000.

² *Order Approving Revisions to Electric Reliability Organization’s Rules of Procedure and Directing Compliance Filing*, 141 FERC ¶ 61,180 at P 14; PP 16-18 (2013).

- 2) With regard to Section 13.1, NERC is proposing adding language to require the annual TFE report to include data and information regarding Material Change Reports and TFE expiration dates. NERC is also proposing a conforming change to the Table of Contents page to reflect the additional language.

The Board package will include the following attachments:

- 1) A summary of the proposed amendments to the Appendix 4D;
- 2) A matrix summarizing comments that have been received to date;
- 3) A redline version of the proposed amendments; and
- 4) A clean version of the proposed amendments.

To view the attachments, click here: [[TFE Proposed Amendments and Attachments](#)]

NERC will continue to review and consider any additional comments through the end of the comment period and will make further changes as appropriate for the Board's consideration on November 7, 2013.

Status of NERC Rules of Procedure Section 500 and Appendix 5A Revisions

Action

None

Background

During 2011, several NERC and Regional Entity teams or working groups were formed to conduct reviews of the Rules of Procedure (ROP) and Appendices to identify any amendments that should be considered based on ongoing experience, changes in strategy or other processes, stakeholder concerns, and other factors.

As part of that effort, proposed changes to Section 500 and Appendix 5A were posted for stakeholder comment from November 7, 2011 to December 22, 2011. Additional revisions were made to the proposed amendments based on comments received. Consideration of the cumulative proposed amendments was originally placed on the February 9, 2012 Board of Trustees (Board) meeting agenda; however, following a discussion at the February 8, 2012 Member Representatives Committee meeting, a decision was made to defer a review of the proposed amendments until the March 14, 2012 Board conference call. Stakeholders were invited to submit additional comments after the February 9, 2012 Board meeting.

In order to allow for discussions to continue with stakeholders, the revisions to Section 500 and Appendix 5A were not presented to the Board in March 2012. Through an informal process, discussions continued through May 2012 and included exchanges of drafts with Regional Entity groups, individual stakeholders, as well as meetings with the NERC Compliance and Certification Committee and the Organization Registration and Certification Sub-Committee. In 2012 and 2013, discussions with industry continued. As a result of the discussions, additional clarifications are underway and are expected to be rolled into an effort to examine the NERC registration and certification framework in 2014, as discussed below.

Certification and Third Party Competency Reviews

Among other things, the changes included revisions to memorialize in the ROP the scope and nature of review of third party entities performing delegated or assigned tasks for entities registered as and undergoing Certification as Transmission Operators, Balancing Authorities and Reliability Coordinators. When such arrangements occur, the ERO needs to be able to conduct an appropriate Certification review of the third party's capabilities to perform the delegated certified functions on behalf of the entity that is registering for the certified functions; however, the capacity evaluation of the third party alone does not result in Certification or Registration of the third party. The proposed changes make clear that the Certification process is not a recurring evaluation of certified entities or third parties, except in the circumstances contemplated in Appendix 5A, as needed. The scope of the third party competency evaluation is commensurate with the activities and functions performed by the third party and correspond with the underlying reason for the certification or change in certification, as determined by the certification team.

Concurrent Registration and Co-registration

At the request of stakeholder groups, a provision governing concurrent Registration, also referred as Co-registration, was added. The provision tracks existing precedent of the Federal Energy Regulatory Commission (Commission) that recognizes the ERO's existing authority to co-register entities.¹ The revision recognizes that there are many types of arrangements that may be in place and these changes do not alter specific ones in place. Rather, it results in all forms of Registration being specifically identified in one location in the ROP for ease of reference.

Next Steps

In 2013, NERC announced a corporate goal to examine the Registration and Certification framework to be undertaken in 2014. As a result, changes to Section 500 and Appendix 5A will be consolidated with that effort. Another opportunity will be provided for industry stakeholder comments regarding Section 500 and Appendix 5A, at that time. Any resulting amendments will be filed with the appropriate regulatory authorities for approval upon approval by the Board.

¹ See, e.g., Order No. 693, P 103; *Southeastern Power Administration*, 125 FERC ¶ 61,294 (2008).

Update on Regulatory Matters (As of October 21, 2013)

Action

None

Background

Regulatory Matters in Canada

1. The second agreement among the North American Electric Reliability Corporation (NERC), the Régie de l'Énergie Québec (Régie), and the Northeast Power Coordinating Council (NPCC) regarding implementation of mandatory Reliability Standards in Québec has been developed, and the agreement is under consideration by the provincial government. The Régie has issued a decision to adopt a first group of Reliability Standards for Québec, and adopted a schedule for next steps including convening technical conferences for an additional set of standards which were discussed in a letter dated December 9, 2012. TransÉnergie, the Québec Reliability Coordinator (RC), has initiated a consultation process on 18 NERC Reliability Standards that have not yet been filed with the Régie.
2. The Province of Manitoba (Manitoba) has adopted all NERC Reliability Standards that were in effect as of March 2012 and is developing a process to adopt new and revised Reliability Standards. On April 1, 2012, Manitoba enacted the Reliability Standards Regulation, which makes compliance with NERC Reliability Standards a legal requirement in Manitoba.
3. British Columbia has vested the British Columbia Utilities Commission (BCUC) with authority to levy monetary penalties for violations. The BCUC has established an inquiry to consider processes for assessing severity and risk for violations and a possible exception process to the British Columbia Rules of Procedure that govern its Mandatory Reliability Standards regime (this relates primarily to the Bulk Electric System definition).
4. NERC has filed petitions for approval of interpretations of several Reliability Standards, as well as for approval of various proposed Reliability Standards in Alberta, British Columbia, Manitoba, National Energy Board (NEB), Nova Scotia, Ontario, Québec, New Brunswick, and Saskatchewan.
5. New Brunswick's legislation that amends how Reliability Standards are approved, monitored, and enforced received Royal Assent in New Brunswick and was proclaimed on October 2013. The Act led to the amalgamation of the New Brunswick System Operator (NBSO) with the NB Power Group of Companies. The system operation functions performed by the NBSO are now performed within a vertically integrated NB Power. NBSO's role in the adoption, monitoring, and enforcement of North American reliability standards has been transferred to the New Brunswick Energy and Utilities Board.

6. The NEB issued an order on December 6, 2012 imposing mandatory Reliability Standards on international power lines (IPL) under the NEB's jurisdiction. The NEB is developing an approach on Administrative Monetary Penalties that might be applicable, as appropriate for violation of reliability standards.
7. On August 28, 2013, NERC filed its Second Quarter 2013 application for approval of Reliability Standards in Nova Scotia. The Second Quarter 2013 application for approval of Reliability Standards in Nova Scotia was approved by the Nova Scotia Utility and Review Board on October 4, 2013.
8. On September 11, 2013, the Alberta Electric System Operator (AESO) Board approved AESO Management's proposal to assume all responsibilities that relate to the functions of a RC, effective January 1, 2014.

FERC Orders Issued Since the Last Update

Please find the FERC orders at the following website:

<http://www.nerc.com/FilingsOrders/us/Pages/2013fercordersrules.aspx>

NERC Filings Since the Last Update

Please find the NERC filings to FERC at the following website:

<http://www.nerc.com/FilingsOrders/us/Pages/2013nercfilingstoferc.aspx>

Canadian Filings and Orders

Please find the NERC filings to Canadian applicable governmental authorities at the following website:

<http://www.nerc.com/FilingsOrders/ca/Pages/default.aspx>

Anticipated NERC Filings

1. October 31, 2013 – NERC must submit a quarterly filing to report on the analysis of NERC Standards Process results for the second quarter 2013 in compliance with an order issued by FERC on January 18, 2007 and a subsequent order on September 16, 2010. *Docket Nos. RR06-1-000 and RR09-7-000*
2. November 14, 2013 – Within forty-five days of the end of a quarter, NERC will submit a report to Enforcement's Division of Audits detailing NERC's progress during the preceding quarter toward implementing the 2012 Performance Audit Settlement Agreement and all recommendations. Within forty-five days of the end of each quarter, beginning with the quarter ending March 31, 2013, NERC will file with the Commission the unaudited report of the NERC budget-to-actual spending variances during the preceding quarter. This report will include information regarding sources and uses of operating and working capital reserves and will match or exceed the level of detail of the quarterly budget-to-actual variance report of NERC expenditures attached to the agenda of NERC Board of Trustees Finance and Audit Committee's October 2012 meeting. *Docket No. FA11-21-000*

3. November 25, 2013 – NERC will submit comments on the NOPR proposing to approve five proposed Generator Verification Reliability Standards: MOD-025-2, MOD-026-1, MOD-027-1, PRC-019-1, and PRC-024-1. *Docket No. RM13-16-000*
4. November 29, 2013 – NERC must submit a quarterly nuclear data filing in response to Paragraph 629 of Order No. 693. *Docket No. RM06-16-000*
5. November 29, 2013 – NERC must submit a quarterly filing in Nova Scotia of FERC approved Reliability Standards.
6. December 2, 2013 – NERC must submit a compliance filing to revise the Rules of Procedure Appendix 4D (*Procedure for Requesting and Receiving Technical Feasibility Exceptions to NERC Critical Infrastructure Protection Standards*). *Docket No. RR13-3-000*
7. January 2, 2014 – NERC must submit a quarterly status report informational filing in response to FERC's March 4, 2013 order related to the investigation into PacifiCorp's allegations in a November 16, 2012 complaint against the Western Electricity Coordinating Council and the Los Angeles Department of Water and Power. *Docket No. EL13-22-000*