

Agenda

Facilities Rating Joint Task Force Meeting

March 18, 2021 | 12:00 p.m. – 1:00 p.m. Eastern

[WebEx](#)

Dial-in: 1-415-655-0002

Access Code: 160 211 4267

Introduction and Chair's Remarks

NERC Antitrust Compliance Guidelines and Public Announcement

Agenda Items

- 1. Welcome & Kickoff* – (Inform)**
 - a. Why We Are Here / Where Have We Been
 - b. Why The RSTC Was Added
- 2. Introductions & Group Background – (Inform)**
 - a. Team Member Introductions
- 3. Summary of NERC BOTCC Presentation* – (Inform)**
 - a. Problem Statement
- 4. ERO Enterprise & NATF Coordination – (Inform)**
- 5. What Are We Trying To Achieve – (Discuss)**
- 6. Next Steps – (Discuss)**

*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.

I. 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.

I. 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.

Facility Ratings Task Force Scope

December 16, 2020

Purpose

The North American Electric Reliability Corporation (NERC) Compliance and Certification Committee (CCC) has a role to provide stakeholder feedback to the Electric Reliability Organization (ERO) related to Enterprise Programs, Standards adherence and Enterprise Tools. The Reliability and Security Technical Committee (RSTC) is a standing committee that strives to advance the reliability and security of the interconnected BPS of North America by:

- Creating a forum for aggregating ideas and interests, drawing from diverse industry stakeholder expertise, to support the ERO Enterprise's mission; and,
- Leveraging such expertise to identify solutions to study, mitigate, and/or eliminate emerging risks to the BPS for the benefit of industry stakeholders, the NERC Board of Trustees (Board) and ERO Enterprise staff and leadership.

The NERC joint CCC and RSTC Facility Ratings Task Force (FRTF) will address risks associated with the FAC-008, *Facility Ratings Standards*. The potential areas this task force is evaluating relate to alignment of industry's processes and procedures to conduct compliance oversight discussions, institute controls, assess risk and analytics, and prioritize resources with those processes and procedures that focus on prioritization of reliability risks and corresponding resources.

Roles and Activities

Facility Ratings continue to be a source of discussion in the industry related to operational performance, enforcement actions and regulator views about future considerations. Future considerations related to facility ratings are more complex and consider use of utility assets in different manners as compared to a historical view. In order to effectively accommodate that type of conversation, the industry needs to assess the current processes and expectations to ensure the "basics" are covered. The CCC and RSTC, in their roles obtaining stakeholder engagement and feedback, will delegate responsibility to the FRTF to carry out activities to:

- Provide information to industry on the issues,
- Support industry readiness and success on this topic,
- Foster and facilitate discussions around the issues, risk and potential mitigations or course corrections, and
- Gather industry feedback around recommended solutions that are actionable by either registered entities or industry groups (membership forums, trade associations, technical committees, etc.).

The FRTF will report its work and deliverables to the CCC and RSTC, and the CCC and RSTC maintain ultimate responsibility for decisions and recommendations to NERC.

The FRTF will provide suggestions on issues for discussion and recommendations to NERC as follows:

- Industry’s perspective related to the ERO Problem Statement around facility ratings,
- Gather detailed information on the Facility Rating performance issues.
 - Identify support needs and use CCC and RSTC subcommittees or individual members that have the expertise to review the issues.
 - Reach to industry for input on potential readiness issues (e.g., trade associations, membership organization, compliance forums, registered entities, etc.).
 - Initiate or request FRTF discussions as issues are identified.
 - Identify issues representing specific concerns quickly and facilitate swift resolution or communications.
- Evaluate options for industry outreach.
- Develop suggested recommendations related to the issues.
- Present work outcomes to the CCC and RSTC for awareness.
- Determine appropriate path for recommendations to be considered and action taken.

Membership

The FRTF membership will be comprised of those CCC and RSTC members and observers appointed by the CCC and RSTC Chairs. It is desired and highly encouraged that CCC and RSTC leadership as well as NERC and Regional Entity management participate.

1. Composition
 - a. CCC and RSTC Members
 - b. CCC and RSTC Active Participants (Observers)
2. Leadership
 - a. The FRTF will be co-chaired with one person from each committee.
3. Observers
 - a. The FRTF Chair may invite observers to participate in meetings, which may include additional NERC or Regional Entity staff, as well as other CCC and RSTC members. Observers may actively participate in the discussion and FRTF deliverables.

Meetings

The FRTF meetings will be scheduled based on workload, as determined by the members. Due to the short duration of the FRTF, it is likely meetings will be monthly and will be conducted by conference call. Meetings may also occur in conjunction with the regular CCC or RSTC meetings. The FRTF meetings will be open to other participants. The FRTF Chair will approve this participation and work with the CCC and RSTC Chairs for any necessary appointments.

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

Facility Ratings Update

Teresina Stasko, Assistant General Counsel and Director of Enforcement

Steven Noess, Director, Regulatory Programs

Kiel Lyons, Senior Manager, Compliance Assurance

BOTCC February Open Meeting

February 3, 2021

RELIABILITY | RESILIENCE | SECURITY

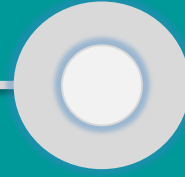


Late 2018 - 2019



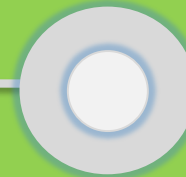
- Uptick in moderate and serious risk FAC-008 violations; correlation of violations to accuracy of equipment inventory and change management
- Risk Element in 2019 CMEP IP
- Regional Entity outreach
- Evolved monitoring practices

2020



- Updates provided at February and November BOTCC Open Meeting
- Developed problem statement with NATF and shared with CCC
- CCC created Facility Ratings Task Force (FRTF)
- Published CMEP Practice Guide
- FRTF expanded as joint task force with RSTC

2021



- Development of supporting framework within context of existing CMEP tools
- Ongoing coordination with NATF and CCC FRTF, which includes the RSTC

- Objectives

- Support development and sustainment of registered entity risk-based Facility Ratings programs and resolution of Facility Ratings noncompliance using existing tools
- Encourage entities to perform self-evaluation to assess the strength of their practices and controls at mitigating risks related to Facility Ratings
- Highlight advantages of participating in this effort compared to ERO Enterprise finding programmatic deficiencies down the road

- Tracking and reporting

- Programmatic view to report and track in phases
- Aggregate and report discrepancies/deficiencies identified
- Transparent communication and status updates with ERO Enterprise

- Processing related potential noncompliances
 - Consider lessening administrative burden as entities focus on program enhancements (e.g., aggregating reporting)
 - Use existing tools and criteria for appropriate disposition methods
- Outreach
 - Description, details, instructions and expectations as developed
 - Leverage industry partners (NATF, FRTF, etc.)

- Collaboration with NATF and FRTF (CCC & RSTC)
 - Risk-based approach for managing Facility Ratings program
 - Categorize risk profiles of common discrepancies
 - Develop and provide outreach



Questions and Answers

Facility Ratings Problem Statement

Problem Statement

Recent years' audit and enforcement activities (including field verifications by the Regions and entities) have identified multiple instances of discrepancies between documented Equipment and/or Facility Ratings and actual field conditions. The information suggests generally that registered entities with strong controls and change management procedures, typically have better data that results in more accurate ratings, than those entities that have not taken meaningful steps to develop strong controls, change management focus, and/or validated field conditions with Facility Ratings databases. Those entities are most prone to discrepancies that may result in noncompliance. Because of this, and because of the recurring causes of the issues identified, the ERO Enterprise believes the issue is more widespread than what has been discovered to date.

Current Observations

The issues identified to date generally involve discrepancies between documented Equipment and/or Facility Ratings and current field conditions. Facility Rating calculations have been incorrect as a result of incorrect ratings for, or missing, multiple types of equipment. For example, the missing or incorrectly rated equipment includes jumpers and risers inside substations, bus bars, current transformers (including delta connected current transformers), circuit breakers, and transmission line conductors. The ERO Enterprise has observed multiple contributing causes related to insufficient processes and lack of controls to prevent these discrepancies. More specifically, the discrepancies tend to occur as the result of the following:

- Lack of processes and controls to ensure changes in the field (emergency or otherwise) are being properly documented and communicated in order to update the Facility Rating;
- Lack of communication between parties responsible for determining Facility Ratings (i.e. substation and transmission);
- Insufficient processes and controls to ensure Facility Rating are accurate when facilities are commissioned or when Facility Ratings are otherwise initially determined; and
- Insufficient processes and controls to ensure planned facility changes that resulted in updated Facility Ratings are either implemented as planned or, if not, that the Facility Ratings updated as a result of the planned changes are revised to reflect current conditions.

The ERO Enterprise is encouraging entities to perform their own self-assessments to identify and mitigate the Facility Rating issues that may be present on the system. In addition to performing a self-assessment, to further ensure FAC-008 programs are sustainable going forward, entities need to implement sufficient internal controls and, at a minimum, should consider implementing controls related to:

- Inventory & Change Management – Controls to track the Facility Rating, the equipment that comprises each Facility, and the Equipment Ratings, as well as controls to ensure newly commissioned facilities, changes made in the field to facilities, and changes to project plans are properly tracked and recorded in the Facility Rating database;

- Access Controls – Technical or procedural controls to limit and track who can and should change and edit prints, databases, etc.
- Contractor Management – Training to ensure contractors understand all relevant processes and sufficient oversight to identify and track changes to facilities made by contractors;
- Data Verification - Third party or peer reviews to ensure information is entered correctly in the entity's Facility Rating database;
- Reconciliation - Process step to reconcile field prints with information in the entity's databases and EMS and Planning Assessments; and
- Periodic Facility Reviews – Periodic comprehensive reviews, including facility walk downs, on a subset of facilities to ensure the documented Facility Rating matches the as-builds. This assessment should be risk based starting with the most critical and most impactful facilities.

Risk

Incorrect Facility Ratings can pose significant risk to the bulk electric system. In multiple instances, the Facility Ratings have not taken into account the most limiting series element, resulting in large derates in some cases. The discrepancies identified thus far include some significant and widespread discrepancies across the ERO Enterprise. When Facility Ratings are not determined correctly and applied consistently for all applicable Facilities, this can result in equipment operated beyond its capability, causing equipment damage or line sagging beyond its design, resulting in unplanned outages. It is for this reason that Facility Ratings issues were noted as one of the contributing factors to the August 2003 blackout and continues to be an ERO Area of Focus