



RELIABILITY FIRST

Minutes

Board of Directors • Compliance Committee

December 7, 2022 • 1:00 PM – 3:00 PM (ET)

Ritz Carlton, Pentagon City
1250 S. Hayes Street • Arlington, VA 22202

Open Session

Call to Order – Chair Brenton Greene called to order a duly noticed open meeting of the Compliance Committee (Committee) on December 7, 2022, at 1:02 pm (ET). A quorum was present, consisting of the following members of the Committee: Brenton Greene, Chair; Joanna Burkey, Vice Chair; Patrick Cass; Courtney Geduldig; Jason Marshall; and Ken Seiler. A list of others present during the Committee meeting is set forth in Attachment A.

Appoint Secretary to Record Minutes – Chair Greene designated Niki Schaefer as the secretary to record the meeting minutes.

Antitrust Statement – Chair Greene advised all present that this meeting is subject to, and all attendees must adhere to, ReliabilityFirst's (RF) Antitrust Compliance Guidelines.

Approve Compliance Committee Meeting Minutes – Chair Greene presented draft minutes for the August 24, 2022 Committee meeting, which were included with the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

Compliance Monitoring – Matt Thomas, Director of Compliance Monitoring, presented an update on recent Compliance Monitoring activities. Mr. Thomas began by discussing the ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Implementation Plan, and covered its annual development and how RF uses it as an input for risk-based decisions. Mr. Thomas then presented the 2023 risk elements, and discussed the changes to them from the prior year. One of the 2023 risk elements is Cold Weather Response, and Mr. Scott Etnoyer commended the RF staff for the RF winterization visit program. The Committee then discussed the role of extreme weather in relation to the Texas events and how it relates to the importance of electric-gas coordination. Mr. Ken Seiler raised a discussion on other risks to the Bulk Electric System, including vegetation management and misoperations.

Enforcement Update – Kristen Senk, Director of Legal and Enforcement, provided an update on enforcement activities, including metrics on violation intake and output and specific risks. Ms. Senk began with the metrics for year-over-year violation intake for self-reports, audit findings and spot checks, noting that the violation intake numbers have been high the past two years. She stated that self-logged violations have doubled, and comprised more than half the of the violation intake for the year. In light of the increased volume of violations, RF is

evaluating enforcement resources to ensure that there are sufficient subject matter experts and attorney case managers to handle the workload. Ms. Senk also noted that the number of violations processed was consistent with prior years and highlighted the process, which includes steps to ensure early mitigation of the issue as well as a coordinated oversight program with other Regions.

Ms. Senk discussed the age of RF's violation inventory, and future plans to address volume by shifting staff workloads in the coming year. She also discussed some expected unknowns with processing times resulting from the use of the Align tool. Ms. Senk also spoke to the Enforcement Department's diverse reach, including participating in outreach efforts (newsletter articles, tech talks, webinars, industry forums) and shared future focus areas (CIP themes report, ERO efficiencies, Align support). Mr. Scott Hipkins inquired regarding analyzing data across the ERO Enterprise to see if outreach efforts had an impact on violation risk at intake. Ms. Senk explained how a violation's risk is not finalized until the end of the process, but noted that the ERO Enforcement Group has a reoccurring agenda item to review high risk issues upon their disposition and examine issues across the ERO. Ms. Rachel Snead asked about self-reporting and self-logging data, and comparing information with other Regions. In response, Mr. Gallagher noted the disparity in the levels of participation in these programs. Mr. Brenton Greene then commended the team for the significant work bringing the violation inventory current.

Registration Trends and Align Update – Tony Jablonski, Manager of Risk Analysis and Mitigation, provided an update on the Align tool and registration trends. He began with an overview of the Align tool release, noting that all the phases of the tool are now in production, and that the remaining items for 2023 are data migration and the continued retiring of legacy applications. Mr. Jablonski discussed recent Align tool enhancements and performance testing, and highlighted the significant RF staff participation in the overall project (18 staff members and 7,688 total hours).

Then Mr. Jablonski provided an overview of 2022 registration activities and metrics, noting that most registration and deregistration activities concerned generator owners and operators. He also noted recent and expected trends, including supply chain delays, a proliferation of wind and solar generation, and continued retirement of fossil generation. Mr. Ken Seiler initiated a discussion about what types of generation RF is tracking, as well as the issue of asynchronous generation that falls under the BES threshold but could cause issues in the aggregate. He shared his perspective on how PJM is trying to obtain better visibility into this asynchronous generation.

Modification to CIP Standards – Zack Brinkman, CIP Compliance Manager, provided an update on the modifications to the CIP Standards as part of Standard Project 2016-02. He gave an overview of the modifications, and tips on how to prepare for the new Standards. Mr. Brinkman noted that the Standards Drafting Team wanted to address items identified by the CIP Version 5 transition advisory group, including virtualization and how that is going to change the cyber landscape. He stated that every CIP standard has either been modified or proposed to be modified, and new Standards have also come from the project, such as

CIP -012-1. Mr. Brinkman discussed the reasoning behind incorporating virtualization into the CIP Standards, and the potential benefits of the approach (e.g., reducing IT costs, helping with disaster recovery or increased effectiveness, better reliability).

He then presented the implementation timeline for the new CIP Standards, including an option for early adoption. He shared that with early adoption, multiple entities may be in compliance with multiple versions of the CIP Standards; accordingly RF will need a holistic approach with adequate planning and processes to address this scenario. Mr. Brinkman noted the complexity of virtualization and shared RF's plans to prepare for the challenge, including education and lessons learned. Finally, he shared RF's plans to communicate the changes to the CIP Standards once approved and assist with the development of ERO documents and tools. Mr. Cass requested an example of virtualization and how it would work, and Mr. Brinkman provided a high-level example comparing a traditional server environment to a virtualized environment. Then he compared the controls in the CIP Standards today with those in the future CIP standards. Mr. Greene initiated a discussion about whether the new CIP Standards will be well received, and whether changes to them are keeping pace with advancing technology.

NERC CMEP 4A Audit of ERO – Niki Schaefer, VP and General Counsel, provided an overview of NERC's audit of RF and the other Regions pursuant to Appendix 4A of the NERC Rules of Procedure (RoP). She stated that the audit focused on the effectiveness of the Regions' Compliance Monitoring and Enforcement Programs (CMEP). While NERC audited all the Regions, RF was in the first group of audits that took place from January to June, and the audit was a heavy lift for staff. Ms. Schaefer shared that RF received a report of RF's specific findings, which the Board previously discussed. After NERC completed all the audits, it completed a consolidated audit report. Ms. Schaefer shared aggregate findings and action items from this consolidated report, and highlighted a subset of findings that included RF's findings. Most of these did not involve potential RoP issues, and instead related to areas where the Regions were potentially inconsistent in their processes, which have evolved over time (and sometimes have valid reasons for nuances and differences). There was discussion around the audit findings and the potential for additional work.

Mr. Seiler asked about the value of the audit, and Ms. Schaefer shared that certain discoveries were made through the audit process and RF identified internal process improvements that were largely unrelated to the findings, but were part of our journey during the audit. Mr. Gallagher shared additional ancillary benefits, noting that NERC got a better feel for what the Regions do; the accumulation of best practices can allow for improvement across the Regions; and it reminds the Regions what it is like to be audited.

Evaluation of the Committee's Charter and Performance – Matt Thomas led the annual review of the Committee's performance against its Charter, which showed all activities as completed for the year. He also presented the Charter itself and the Committee did not make any changes.

Chair Greene, who has chaired the Committee since 2006, closed the meeting by highlighting RF's accomplishments and commending the leadership role RF has taken within the ERO Enterprise. He expressed his gratitude for his time at RF, and with pride handed the baton off to Ms. Burkey, the future Committee Chair.

Next Meeting – Chair Greene noted that the next Committee meeting will occur in Cleveland on April 26, 2023. At 2:41 pm, Chair Greene moved the Committee into closed session.

Closed Session

Confidential Compliance, Enforcement, & Registration Matters – Kristen Senk and Matt Thomas presented on confidential matters.

Adjourn – Upon a motion duly made and seconded, Chair Greene adjourned the Committee meeting at 3:27 pm (ET).

As approved on this 26th day of April, 2023 by the
Compliance Committee,



Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Compliance Committee Meeting

Zack Brinkman • ReliabilityFirst
Gregory Campbell • Exelon
Jeff Craig • ReliabilityFirst
Dowdell, Beth • ReliabilityFirst
Chelsey Eppich • ReliabilityFirst
Scott Etnoyer • Talen
Tim Gallagher • ReliabilityFirst, President & CEO
Lesley Evancho • EQT
Vinit Gupta • ITC
Scott Hipkins • FirstEnergy
Anthony Jablonski • ReliabilityFirst
Erik Johnson • ReliabilityFirst
Marcus Noel • ReliabilityFirst
Williams Pezalla • Old Dominion Energy
Niki Schaefer • ReliabilityFirst
Kristen Senk • ReliabilityFirst
Rachel Snead • Dominion Energy
Jennifer Sterling • Exelon
Brian Thiry • ReliabilityFirst
Matt Thomas • ReliabilityFirst
Jody Tortora • ReliabilityFirst
Joe Trentacosta • SMECO
Jim Uhrin • ReliabilityFirst
Simon Whitelocke • ITC Holdings