



## Minutes

### Board of Directors • Compliance Committee

December 6, 2023

Market Square Conference Center • Concourse Level  
801 Pennsylvania Ave. NW • Washington, DC 20004

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#### Open Session

**Call to Order** – Chair Joanna Burkey called to order a duly noticed open meeting of the Compliance Committee (Committee) on December 6, 2023, at 1:01pm (ET). A quorum was present, consisting of the following members of the Committee: Joanna Burkey, Chair; Patrick Cass, Vice Chair; Lesley Evancho; Courtney Geduldig; Jason Marshall; Ken Seiler; and Simon Whitelocke. A list of others present during the Committee meeting is set forth in Attachment A.

**Appoint Secretary to Record Minutes** – Chair Burkey designated Niki Schaefer, ReliabilityFirst's (RF) Vice President and General Counsel, as the secretary to record the meeting minutes.

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

**Approve Compliance Committee Meeting Minutes** – Chair Burkey presented draft minutes for the August 23, 2023 Committee meeting, which were included with the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes pending the addition to reflect Steve Ambrose in attendance.

**Compliance Monitoring Update** – Matt Thomas, RF's Director of Compliance Monitoring, provided a compliance monitoring update. Mr. Thomas highlighted new process changes, including reduced time onsite, a rolling audit schedule, and process enhancements around evaluating entity controls and culture. Mr. Thomas then discussed the use of expanded field walkdowns that include winterization reviews. Finally, he noted the challenges with Align and the Secure Evidence Locker (SEL) rollout, sharing progress and concerns. Jennifer Sterling commented on the 270-day rolling audit schedule, sharing that large entities can have difficulties with incorporating a rolling audit schedule into their budget cycles. Mr. Thomas agreed to take the consideration of entity budget cycles back to the ERO Risk, Performance, and Monitoring Group (RPMG) for discussion.

He then discussed 2024 focus areas, including the Compliance Monitoring and Enforcement Program Implementation Plan (CMEP IP) and related outreach and activities on high-risk areas. Mr. Thomas noted that the risk elements in the CMEP IP are similar to those of previous years, by design, and reflect a risk-based approach to monitoring. He

highlighted the continued focus on facility ratings, physical security, and maturing internal controls. He then shared the positive feedback on RF's internal controls outreach efforts, including the internal controls workshop that made it a more fun and engaging process. RF is taking entities' feedback to delve deeper into internal controls during the 2025 workshop, with more advanced topics and potential partnerships with other Regions.

**Enforcement Update** – Kristen Senk, RF's Director of Legal and Enforcement, provided an enforcement update. She reported on the annual violation intake, explaining that numbers are approaching the expected average. She also discussed ERO violation intake trends, noting that RF has the highest violation intake and output of all the Regions due to the nature of its footprint, complexity of its entities, and high levels of self-reporting. Ms. Senk then shared high-level violation trends, noting that Tom Scanlon, RF's Managing Enforcement Counsel, will do a deeper dive into this topic at the next Committee meeting.

Ms. Senk then reported on annual violation dispositions, sharing that 80% of the violations on the books at RF have already been mitigated because RF's process is designed to address risk right away. Ms. Senk then covered high risk violation trends, including access provisioning and revocation, protecting BES Cyber System Information, managing electronic security perimeters, and protection system maintenance and testing. She discussed how the future of virtualization will complicate things from a compliance and enforcement standpoint. She then spoke to recent inventory, and shared that the enforcement team processed more violations than came in during the year, partially due to new attorneys hired in July who were able to get up to speed quickly. Ms. Senk also highlighted enforcement outreach performed throughout the year (including targeted entity outreach, industry conferences, the RF workshop, webinars, and recurring newsletter articles) and how data analytics is adding more structure to the outreach. Ms. Burkey congratulated the enforcement team's work and attainment of their goal.

**Registration Trends** – Jeff Craigo, RF's Senior Vice President Reliability and Risk, provided an update on Registration trends. He began with an overview of the number of registrations at each Regional Entity, and the registrations by function at RF. He discussed general trends affecting registration, including increased retirement of coal plants. Mr. Craigo then provided an update on FERC's inverter-based resource (IBR) order and the timeline through 2026 to complete the revisions to the NERC Rules of Procedure, and identify and register IBR candidates. Ms. Sterling asked about the plan to identify new IBR candidates and Mr. Craigo responded, explaining the registration threshold and the process to evaluate IBR candidates against the threshold. Simon Whitelocke, Nelson Peeler, and Bill Pezzala from Old Dominion also asked questions that led to a discussion on new IBR registrations and the potential for increased volume across compliance monitoring and enforcement. Discussion ensued on how RF plans to work with other Regions and entities during this process, including timing and ideas for training and education.

**CIP Low Impact Oversight** – Zack Brinkman, RF's Manager of CIP Compliance Monitoring, discussed RF's oversight of low impact entities, including the approach to oversight, themes identified from oversight activities, and a look at the landscape moving

forward. He explained that while many of the low impact entities may not pose a significant risk individually, they could cause localized issues, and a coordinated attack on multiple low impact entities could pose a larger risk. Mr. Brinkman then discussed RF's self-certifications of low impact entities, and how RF has completed 50 of these since 2020. He explained that the self-certifications involve sampling, evidence review, information requests, and meetings to gain a full understanding of the entity's environment.

He then discussed CIP-003 violation themes across the ERO, which include an insufficient understanding of obligations and issues around management of transient cyber assets; a lack of detail in incident response processes and procedures; and a heavy reliance on vendors, with multiple vendors having access to the environment. Regarding the landscape moving forward, he stated that new IBR registrations will likely fall into the low impact entity category. Mr. Brinkman also spoke to RF's low impact entity outreach, and training provided to these entities on the CIP Standards, Align, and the self-certification process. Finally, he discussed the continued evolution of CIP-003 and coming updates to the Standard.

Ms. Burkey asked about the regulatory burden on these low impact entities, and Mr. Brinkman explained that the CIP Standards that apply to low impact assets are like a "light version" of those that apply to high and medium impact assets, with less requirements and added flexibility. A robust discussion ensued on risk evaluation and treatment of various entities and assets, including concerns with entities being able to keep up from a compliance perspective and find the right balance with classifying impact sites.

**Winterization Visits** – Brian Thiry, RF's Director of Entity Engagement, provided an update on RF's winterization program, including why it is important and what has changed over time, as well as progress on recent cold weather event reports and findings. Mr. Thiry gave a history of major cold weather events and ERO activities since 2013, including RF's winterization program activities. He discussed RF's voluntary winterization surveys and site visits, including metrics on how participating generating plants have improved their cold weather performance after their site visits.

Mr. Thiry then discussed Winter Storm Elliot, and the FERC/NERC/Regional Joint Inquiry Report following the event that contained 11 recommendations. He shared the 2023-2024 Winter Reliability Assessment (Assessment) and discussed its findings, noting of 2/3rds of the continental U.S. (and the entire RF footprint) is in the "elevated risk" area because of limited natural gas infrastructure, generation retirements, and the potential for insufficient operating reserves. Further, he shared that cold weather events are occurring more frequently (5 in the last 11 years). Mr. Thiry also shared waterfall charts from the Assessment. He then presented a map of 2023/2024 visits and noted that RF is visiting 16 plants this year. There were comments and discussion on winterization activities required and other challenges associated with cold weather.

**Evaluation of the Committee's Performance** – Mr. Thomas led the annual review of the Summary of Compliance Committee's Performance of Specific Duties for 2023 (Summary).

He shared that all the obligations in the Compliance Committee Charter had been met. Upon a motion made and duly seconded the Committee accepted the Summary.

**Next Meeting** – Chair Burkey noted that the next Committee meeting will occur on May 1, 2024, in Cleveland, OH at the RF offices. At 2:43 pm, Chair Burkey moved the Committee into closed session.

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### Closed Session

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

**Adjourn** – Chair Burkey adjourned the Committee meeting at 3:08 pm (ET).

As approved on this 1<sup>st</sup> day of May, 2024 by the  
Compliance Committee,



Niki Schaefer  
*Vice President General Counsel & Corporate  
Secretary*

**Attachment A**

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**Others Present During the Compliance Committee Meeting**

Steve Ambrose • DTE Energy  
Steve Belle • Dominion Energy  
Zack Brinkman • ReliabilityFirst  
Jeff Craigo • ReliabilityFirst  
Hue DeLuca • ReliabilityFirst  
Dowdell, Beth • ReliabilityFirst  
Chelsey Eppich • ReliabilityFirst  
Tim Gallagher • ReliabilityFirst, President & CEO  
Scott Hipkins • First Energy  
Diane Holder • ReliabilityFirst  
Jason Marshall • Wabash  
Marcus Noel • ReliabilityFirst  
Nelson Peeler • Duke Energy  
William Pezalla • Old Dominion  
Niki Schaefer • ReliabilityFirst  
Kristen Senk • ReliabilityFirst  
Antonio Smyth • ReliabilityFirst  
Rachel Snead • Dominion Energy  
Jennifer Sterling • Exelon  
Brian Thiry • ReliabilityFirst  
Matt Thomas • ReliabilityFirst  
Jody Tortora • ReliabilityFirst  
Joe Trentacosta • SMECO  
Jim Uhrin • ReliabilityFirst