



Minutes

Board of Directors • Risk and Compliance Committee

May 1, 2024

ReliabilityFirst Corporation • Cleveland, OH

Open Session

Call to Order – Chair Joanna Burkey called to order a duly noticed open meeting of the Risk and Compliance Committee (Committee) on May 1, 2024, at 1:16 pm (ET). A quorum was present, consisting of the following members of the Committee: Joanna Burkey, Chair; Patrick Cass, Vice Chair; Lesley Evancho; Ken Seiler; and Simon Whitelocke. A list of others present during the Committee meeting is set forth in Attachment A.

Chair Burkey noted this as the first meeting operating under the new Committee name and explained the new structured meeting format to represent a more holistic approach with the themes for the year.

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 December 6, 2023 Committee meeting, which were included with the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes.

Regional Risk Assessment – Johnny Gest, RF's Manager of Engineering and System Performance, presented an overview of the 2024 ReliabilityFirst Regional Risk Assessment, including a description of two high priority risks. He began with a high-level discussion of the report, using performance data and trends to present a summary of the eight risks. Mr. Gest also compared the regional report's alignment with the ERO Risk Assessment. Ms. Sterling confirmed that as a member of the NERC drafting committee, RF is in general alignment with NERC even though there may be slight differences, such as RF's exclusion of Electromagnetic Pulse (EMP) as a risk. Vice Chair Pat Cass asked about the ranking process and in response Mr. Gest explained the process, highlighting the survey of RF and industry subject matter experts.

Mr. Gest presented the change to make the report public, splitting cyber security from physical security and adding risk considerations. He also highlighted Committee input with the subcommittee industry chairs and co-chairs, and the integration of work from the RF Committees (Reliability Committee, Protection Subcommittee and Transmission Performance Subcommittee, Generator Subcommittee). There was a discussion on future work with the Committees.

Then, Mr. Gest covered two high priority risks, Environmental Factors and Changing Resource Mix, in more detail. For Environmental Factors, he shared the recent cold weather events and proposed modifications to the reliability standards. He also talked through Winter Storm Elliot and RF's plant winterization visits. For Changing Resource Mix, he shared the work that RF is doing to follow state policy changes to look at the impact on the grid. He discussed existing and planned resources and trends, including an increase in forced outage rates seen across the footprint and across all fuel types.

Ms. Sterling asked about the status of planned resources at PJM and MISO, and Ken Seiler shared perspective from PJM that whether planned resources are being built depends on load growth and other resources coming off. A discussion followed on the policy driving these changes and how much is renewables-driven. Then Mr. Gest shared the increasing impact of cold weather on resource availability. Simon Whitelocke asked about how these risks compare to two years ago. Mr. Gest explained how misoperations were a big focus previously. There was discussion on the velocity and pace of change, and how to further mitigate the risks.

Ms. Snead raised the recent Environmental Protection Agency (EPA) regulations, noting that some were significant and will impact future resources, retirements and issues with renewables. Mr. Peeler added the technical reasons as to why these regulations are a threat to reliability. Tim Gallagher, RF's President & CEO, commented on NERC's outreach regarding federal policy and regulations.

Mr. Grooms asked for clarification on environmental risks and extreme events. Mr. Gest explained that the risk covers generation during adverse weather and RF has observed increases in outages related to storms, cold or hot weather, and overall generation availability and large storms impacting transmission.

Vice Chair Cass asked whether there was time to work the new regulations into the long-term planning forecasting. Mr. Seiler shared that PJM can see the impact of measurable things. A discussion followed on policy and the domino effect of reliability, and the importance of explaining to organizations the ramification of policies.

Enforcement Update – Mr. Scanlon, RF's Managing Enforcement Counsel, discussed enforcement metrics and trends that are tracked and analyzed on an annual basis. He presented RF's violation intake, noting that RF expects to sustain a high volume of cases. Mr. Scanlon shared that the vast majority of open cases are from moderate or low-risk issues.

He also shared that 88% of all violations are self-reported or self-logged from 2023 and 2024, noting that this is important to ensure RF is not relied on as a control, as these efforts drive continuous improvement. The trend also remains that most of these self-reports are on the CIP side (77%). Mr. Scanlon shared that 29% of the overall ERO violation processing comes from RF. He highlighted the focus on closing older cases while being able to do the discovery early on new cases to ensure the focus is on mitigation and promptly getting risks corrected. Finally, he closed with a reminder on FAC-003 and highlighting the newsletter and a recent “Enforcement Explained” article on many of the operations and planning compliance challenges observed.

Joe Trentacosta asked whether the larger portion of CIP violations were a newer trend or a result of volume. Mr. Scanlon explained it is nuanced, as more opportunity for failure exists with change management and patch management where entities are making hundreds of changes, and healthy programs will have violations.

Brandon Shores Case Study – Michelle Cross, RF’s Manager of External Affairs, presented the Brandon Shores Case Study. She shared the story through the use of a timeline of events and discussed the renewables policies in place in Maryland to provide background information. There was a stakeholder discussion around the pace of retirement and ensuring the project is sustainable in the future, including looking at the support for generation around Peach Bottom. There was discussion on the reliability impacts related to grid transformation. Ms. Cross discussed Maryland’s clean energy goals and the Sierra Club Agreement, and how these expanded the way that RF thinks about state outreach. She noted that Talen’s environmental permit expires at the end of 2025. Ms. Cross then shared RF’s strategy to serve as a technical resource for the states. She highlighted RF’s discussions with stakeholders and recent testimony in Maryland, and legislative meetings at PJM, Talen, and FERC. Ms. Cross highlighted the work RF’s engineering team is performing to evaluate alternative solutions. Rachel Snead questioned the risk that stations retiring earlier than expected pose to the grid. A discussion followed, and several questions were posed for Ken Seiler at PJM, who credited Ms. Cross’s presentation for highlighting the risks and expressed confidence in plans to move forward while acknowledging additional hurdles. He noted that utilities will be expediting updates or looking at other solutions from procurement or replacement resources.

Intro to RF’s Delegation Agreement and Oversight – Mike Hattery, RF’s Senior Counsel of Enforcement, provided an overview of the RF delegation agreement, the scope of delegated authority, and the oversight set forth in the delegation agreement. Mr. Hattery explained the focus on Compliance Monitoring and Enforcement and shared the required and permitted activities. He spoke on the types of NERC oversight of the Regional Entities, including the five-year cadence and FERC participation in this oversight. He shared some of the expected oversight for 2024, including the annual CE/FFT survey, self-logging review follow-up, Align and Secure Evidence Locker (SEL) oversight, review of the registration program, and a certification observation review. Chair Burkey suggested the addition of the presentation to director onboarding.

Next Meeting – Chair Burkey noted that the next Committee meeting will occur on August 21, 2024, in Canton, OH. At 2:46 pm, Chair Burkey moved the Committee into closed session.

Closed Session

Confidential Compliance & Enforcement Matters – Kristen Senk, RF's Deputy General Counsel and Director of Legal & Enforcement, and Matt Thomas, RF's Director of Compliance Monitoring, presented on confidential matters.

Adjourn – Chair Burkey adjourned the Committee meeting at 2:58 pm (ET).

As approved on this 21st day of August, 2024 by
the Compliance Committee,



Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Risk and Compliance Committee Meeting

Steve Ambrose • DTE
Jeff Craigo • ReliabilityFirst
Michael DeViscio • PJM
Beth Dowdell • ReliabilityFirst
Chelsey Eppich • ReliabilityFirst
Tim Foster • PJM
Tim Gallagher • ReliabilityFirst, President & CEO
Craig Grooms • Buckeye Power
Scott Hipkins • First Energy
Diane Holder • ReliabilityFirst
Price Marr • MISO
Marcus Noel • ReliabilityFirst
Nelson Peeler • Duke Energy
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