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Sector 8 Policy Input for the
NERC Board of Trustees & Member Representatives Committee

August 14-15, 2019 Meetings in Quebec City, Canada

ELCON, on behalf of Large End-Use Consumers, submits the following policy input for the consideration of NERC's Board of Trustees (BOT) and the Member Representatives Committee (MRC). It responds to BOT Chairman Roy Thilly's July 11, 2019 letter to Greg Ford, Chair of the MRC.

SUMMARY

- **The proposal to replace the NERC CIPC, OC, and PC with the RSC** — Large Consumers support the effort to improve the efficiency and effectiveness of stakeholder engagement by creating a central committee overseeing the three standing committees. Both Option 1 and Option 2 would serve this function and Option 2 to create the RSC was the unanimous preference of the stakeholder engagement team (SET). Large Consumers, as a resource-constrained sector, expect to participate more robustly under a central committee model than in disaggregated venues. Large Consumers support the creation of the RSC subject to modifications of the participation model. Large Consumers also suggest consideration of an RSC model limited to operations and planning, leaving security to a separate committee, if the RSC model appears strained to represent all three subject matter areas sufficiently.

- **The proposed participation model of the RSC** — The RSC model requires modification to be successful. Two changes are essential: 1) a minimum of two representatives per sector is critical to provide sector balance and 2) sectors should retain the right to elect their own representatives. Additional modifications, such as RSC members elected their own leadership, would benefit RSC performance.

- **The best way to implement the transition from three technical committees to the RSC** – The timeframe to present the final SET recommendation at the November 6, 2019 NERC Board meeting with implementation starting January 1, 2020, is a tight timeframe. Full implementation in Q1 2020 may prove challenging, and quality should not be sacrificed for expediency. An interim phase-in structure may be necessary to ensure existing work at the standing committees continues

uninterrupted. Large Consumers emphasize that the process to disassemble standing committees and reorient subcommittees be mindful of intended and unintended consequences, such as the transfer of institutional knowledge.

Replacing the Three Standing Committees with the RSC

Large Consumers support the effort to improve the efficiency and effectiveness of stakeholder engagement by creating a central committee overseeing the three standing committees. The stakeholder engagement team (SET) considered two options: 1) create an oversight committee and retain the existing standing committees or 2) create the Reliability and Security Council (RSC) to replace the standing committees and retain only the subcommittees. Sector 8 comments are focused on Option 2, having recognized that the SET decided unanimously that Option 2 was preferable to Option 1. Sector 8 also raises the question of whether security expertise should be integrated with a consolidated approach to planning and operating expertise.

Sector 8 believes integrating planning and operating expertise is a more natural fit but including security may stretch the ability of the RSC to function effectively across all three subject matter areas. Sector 8 supports consideration of a third option: having the OC and PC replaced by the RSC but retain a separate security committee. Any security committee should be configured to achieve sector balance. For example, if one representative per sector is pursued, the number of at-large seats available to any sector should not outweigh the number of sector-designated seats.

Regardless, consolidating the standing committees will enhance the ability of resource-constrained sectors to participate, including Large Consumers. For example, each ELCON company with registered entities has one to three full-time equivalents assigned to NERC/RE activities. ELCON, as the Sector 8 trade association, has one position dedicated in part to NERC issues. As such, Sector 8 is incapable of populating dozens of committees, subcommittees, task forces, and working groups. Therefore, the limited participation of Sector 8 is a reflection of resource constraints, not a lack of interest. It is critical that RSC governance decisions protect the rights and standing of resource-constrained sectors and enhance avenues to ensure fair representation. Generally, Sector 8 expects to participate more actively in venues with broad oversight, like the RSC, whereas the benefits to participation are diffuse in more concentrated venues.

The process to disassemble standing committees and reorient subcommittees must be mindful of intended and unintended consequences. Standing committees have unique cultures, areas of expertise, and processes that reflect much fine-tuning over the years. These insights, along with transferring other forms of institutional knowledge, warrant careful consideration through a careful RSC implementation process. Integrating disparate forms of expertise has benefits in a matrix format but the challenges may vary unevenly across different subject matter combinations. For example, combining planning and operating committee functions may face fewer barriers than integrating them with security issues.

Large Consumers are confident that SET can address these barriers with a sufficient implementation process and timeframe by the November 2019 BOT meeting. Sector 8 support for the creation of the RSC is predicated on several revisions to the proposed participation model, which are necessary to provide robust sector representation on the RSC.

Proposed Participation Model of the RSC

Sector 8 believes the proposed RSC participation model requires modification to be successful. The proposal consists of a chair and vice chair, one representative per sector (Sectors 1-10 and 12), 20 at-large representatives, and five non-voting members. Nominations for Sector and At-Large seats would be selected by a Nominating Committee consisting of the NERC Board Vice Chair, NERC Chief Executive Officer, MRC Vice Chair, and the RSC's Chair and Vice Chair.[1] Large Consumers are very concerned that this would result in sector imbalance in RSC composition, especially as the depth of subject matter expertise varies across sectors.

Two modifications are imperative for the RSC to be successful:

1. *The minimum number of representatives per sector should be two*. One representative for some sectors would not provide broad representation and diversity of stakeholder views. Increasing this to two representatives per sector, while holding total membership constant, would result in nine at-large positions. This is sufficient for the nominating committee to fill in any gaps in regional diversity or expertise. If a sector cannot fill its two seats, the position can default to the applicable term for an at-large position.
2. *Sectors should retain the right to elect their own representatives.* As proposed, a nominating committee selecting representatives on behalf of a sector may create representation flaws and stakeholder discontent. Sector stakeholders are better positioned to know which of their own are best suited to represent the sector's perspectives on RSC issues, as well as which subject matter experts are best suited to contribute to an oversight committee. Peer sector voting has been successful in other committees to-date in achieving geographic diversity, while providing expertise. The BOT would still retain authority over final membership decisions, and the nominating committee would retain the ability to fill-in any criteria gaps with at-large selections.

Sector 8 also emphasizes other criteria points for RSC membership:

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[1] For approval by the NERC Board of Trustees.

- *RSC leadership should be elected by the RSC.* RSC leadership, specifically the Chair and Vice Chair positions, should be elected by the full RSC, subject to BOT confirmation. This is important for a self-governing stakeholder body and will provide for balance in the nominating committee to select at-large members of the RSC.
- *Sector balancing criteria.* It is unclear how the various criteria discussed in the proposal will be weighed. If a formulaic approach is unworkable, minimum parameters for sector balance should be established at a minimum. This is critically important if the RSC retains one representative per sector.
- *Sectors should retain autonomy over term limits*. Resource-constrained sectors do not have the depth of personnel that other sectors possess. Restricting the ability of personnel to remain on consecutive terms would severely diminish the quality of representation and expertise on the RSC, while imposing a disproportionate burden on Large Consumers.
- *Ensure minimum RSC membership qualifications do not accidentally preclude quality candidates.* RSC membership should be comprised of individuals with direct experience in planning, operations, and security to maximize its objectives. Executive experience should not be a requirement and may conflict with the objectives of creating the RSC. Electric industry expertise is uncommon and typically not a requirement for executives of companies outside the utility industry, such as industrial consumers. The vast majority of electricity expertise in non-utility companies are not in executive positions (e.g., energy procurement directors) and should be eligible to participate in the RSC. Unnecessary RSC eligibility restrictions would restrict expertise available to the RSC, thus undermining the objective of having greater expertise at the RSC's disposal.

Transition Implementation

Initiating implementation in Q1 2020 would be feasible but full implementation may prove challenging on this timeframe, presuming the revised SET proposal obtains NERC Board approval in November 2019. Several elements will be important to achieve effective and efficient RSC implementation, most importantly establishing a communications and change management plan that adheres to all stakeholders. This includes establishing an implementation team or committee if necessary and selecting participants, a timetable for milestones, regular progress updates communicated to stakeholders, clarifications of the nuanced roles and responsibilities that align the RSC charter and subcommittee determinants with NERC's mission, and formulating performance metrics. Developing measures of success, creating an RSC performance feedback mechanism, and ensuring the RSC process permits room for revision to tweak the model are important elements to instill up-front in the implementation phase.

RSC implementation should take the necessary time for effective implementation; change management at this scale often takes about six months to complete. An overly aggressive timeframe may risk work disruptions and stakeholder dissatisfaction. Existing standing committees should not be dissolved prematurely. An interim RSC phase-in structure may be necessary to ensure existing work at the standing committees continues uninterrupted. This may require the RSC and existing standing committees to co-exist until new work processes and human capital arrangements have been finalized for the RSC and new subcommittee governance.

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