

TO: MEMBER REPRESENTATIVES COMMITTEE
REGIONAL ENTITY EXECUTIVES
NERC ROSTER
REGISTERED ENTITIES
ALL OTHER INTERESTED ENTITIES AND PERSONS

FROM: Ken DeFontes, Chair
Board of Trustees Nominating Committee

SUBJECT: Opportunity to Suggest Candidates for the Board of Trustees of the North American Electric Reliability Corporation

DATE: February 19, 2020

DEADLINE: **March 13, 2020**

The Nominating Committee for the Board of Trustees of the North American Electric Reliability Corporation is providing an opportunity for stakeholders to suggest candidates to serve as an independent Canadian member of NERC’s Board of Trustees. NERC is the entity certified by the Federal Energy Regulatory Commission under section 215 of the Federal Power Act to be the electric reliability organization within the United States. NERC has equivalent relationships with most similar governmental authorities in Canada.

The Nominating Committee for this year is comprised of the following individuals:

Independent Trustees

Ken DeFontes, Chair
Robert G. Clarke
Suzanne Keenan
Jim Piro
Jan Schori
Colleen Sidford
Roy Thilly

MRC Representatives

Jennifer Sterling
Paul Choudhury
Sylvain Clermont
Roy Jones
Jason Marshall

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The Board of Trustees has determined with the resignation of David Goulding, effective January 1, 2020, to initiate an expedited search for a Canadian Trustee to be presented for consideration at the August 19, 2020 Member Representatives Committee meeting.

The process for the nomination of and election of trustees is attached. In addition, the Nominating Committee has retained Odgers Berndtson to assist in the search and screening of candidates. Odgers Berndtson has prepared with the Committee a position specification, which is also attached. Candidates must be prepared to demonstrate they would be able to meet the independence requirement and be free from conflicts of interest. The attached position specification summarizes NERC's requirements, which are contained in its Bylaws and related policies that are available at www.nerc.com.

Please submit all suggestions for candidates to Trevor Smith of Odgers Berndtson, at trevor.smith@odgersberndtson.com. All suggestions for candidates must be received by **March 13, 2020**.

Procedures for Nomination and Election of Trustees

1. The Nominating Committee comprises the Trustees are not up for re-election and at least three representatives of the Member Representatives Committee.
2. The Nominating Committee will ask for suggested candidates by posting notice on the NERC web site and sending notice to the NERC roster.
3. The notice will include the names of the Trustees up for re-election, identify any other vacancies, and establish a deadline for submitting suggestions.
4. Any member of the Board, NERC, the Member Representatives Committee, the NERC standing committees, a Regional Reliability Entity or Organization, or any other interested entity or person may submit suggested candidates for consideration by the Nominating Committee. The Nominating Committee, at its discretion, may also engage a consultant to seek out candidates.
5. Candidates must demonstrate they will be able to meet NERC's independence criteria.
6. The Nominating Committee, at its discretion, may engage a consultant to assist in screening candidates.
7. The Nominating Committee will present a slate of one nominee for each position to be filled.
8. The Nominating Committee will send its slate of nominees to the Member Representatives Committee no later than three weeks before the Annual Meeting.
9. If a nominee fails to receive at least a two-thirds favorable vote from the members of the Member Representatives Committee, then the Nominating Committee will present an additional nominee for consideration by the Member Representatives Committee, as necessary. The additional nominee may be selected from the list of suggested candidates developed through these procedures, or the Nominating Committee may solicit additional suggestions.

NERC Board of Trustees Position Specification

Corporate Overview

On November 9, 1965, a blackout darkened the northeastern United States and southeastern Canada, affecting the lives of 30 million people. It raised many questions about the reliability of the continent's interconnected bulk power system. In response, on June 1, 1968, the electric industry established the North American Electric Reliability Council (NERC). NERC was initially a voluntary, non-profit corporation owned by ten (subsequently consolidated into eight) Regional Reliability Councils which set and monitored compliance with standards designed to insure the operating reliability of the electricity network. This voluntary-based structure changed through the passage of the U.S. Energy Policy Act of 2005, which called for the creation of an international "electricity reliability organization" (ERO). The ERO has the authority to develop and enforce mandatory standards for the reliable operation and planning of the bulk power system throughout North America. NERC was designated as the ERO by the U.S. Federal Energy Regulatory Commission (FERC) on July 20, 2006.

Today, NERC (now officially the North American Electric Reliability Corporation) is the industry's self-regulatory organization dedicated to assuring the reliability of the bulk power system in North America. NERC is subject to oversight by FERC and relevant governmental authorities in Canada. In March 2017, NERC executed a memorandum of understanding with Mexican regulatory authorities, whereby NERC is recognized as the ERO in North America. The memorandum of understanding outlines the framework and process for continued collaboration to enhance the reliability of electric power systems in Mexico and the United States, including the adoption of mandatory NERC Reliability Standards in Mexico and opportunities for formal Mexican participation in the ERO.

To achieve its mission, NERC develops and enforces reliability standards, assesses adequacy annually via a 10-year and winter and summer forecast, monitors the bulk power system, analyzes system events and disturbances, and educates, trains, and certifies industry personnel. NERC also monitors emerging risks to the system and provides analyses and assessments, including policy recommendations regarding such risks. Membership in NERC is free, voluntary, and open to any person or entity with an interest in the reliable operation of the North American bulk power system. An application is required and membership maintained in accordance with Article II of NERC's Bylaws.

Each member (today, more than 500) will join one of 12 industry sectors (investor-owned utility, state or municipal utility, cooperative utility, federal or provincial utility/power marketing administrator, transmission-dependent utility, merchant electricity generator, electricity marketer, large end-use electricity customer, small end-use electricity customer, independent system operator/regional transmission organization, regional entity, government representative) and is eligible for selection as a sector representative on the NERC Member Representatives Committee (MRC). The MRC elects NERC's independent trustees, votes on amendments to the bylaws, and provides advice and recommendations to the Board with respect to the development of annual budgets, business plans and funding mechanisms, and other matters pertinent to the purpose and operations of NERC.

Today, NERC oversees reliability for a bulk power system that spans 11 sovereign jurisdictions across North America, which includes the United States, Canada and Mexico. The total electricity demand exceeds 870,000 megawatts with approximately 450,000 miles of high-voltage transmission lines. Its streamlined staff of 190 dedicated employees is based at NERC's headquarters in Atlanta and in an office in Washington, D.C.

Position Description

NERC is governed by a Board of Trustees (Board) comprised of 10 independent trustees and the president and CEO of NERC. Prospective trustees are screened and then interviewed by a hybrid Nominating Committee consisting of independent trustees not standing for reelection plus members of the MRC. The Nominating Committee recommendation(s) is expected to be presented and voted on at the full MRC on August 19, 2020. Newly elected trustees serve for a term of three years unless they are elected to fill in the term of a departing trustee, as it will be the case with this search.

Trustees have a broad spectrum of expertise, which include knowledge of electric operations and reliability, legal, market, financial matters, and familiarity with regional system operation issues. Diversity – in the form of geography, gender, and ethnicity – is a core value.

The Board is responsible for oversight of NERC and the provision of advice and policy direction and also serves as a regulatory body in connection with enforcement of standards in the United States. Each Trustee has a responsibility to be open and honest, though respectful, in communications with others and to be fair and impartial in all aspects of his or her deliberations and decision-making. Each Trustee has a responsibility to constructively engage in furthering NERC’s mission, including a responsibility to raise issues or viewpoints of importance to that mission even when those issues or viewpoints appear to be unpopular. Trustees are expected to attend all Board meetings in person and to serve on at least two of the following standing committees: compliance, technology and security, enterprise-wide risk, corporate governance and human resources, finance and audit, and nominating. Board members also provide outreach to stakeholders in a variety of forums.

- 1. Compliance Committee:** The purpose of this committee is to assist the Board with governance, oversight, guidance, and policies to help assure the NERC [Compliance Monitoring and Enforcement Program](#) (CMEP) and the NERC [Organization Registration and Certification Program](#) (ORCP), as administered by NERC and the Regional Entities to which NERC has delegated authority pursuant to [Regional Delegation Agreements](#), support the reliability of the North American bulk power system, and are administered fairly and efficiently. The committee approves the resolution of certain enforcement proceedings related to standards violations in the U.S.
- 2. Nominating Committee:** The purpose of this committee is to recommend to the Member Representatives Committee (MRC) candidates for election as members of the NERC Board of Trustees and Implement the Board composition provisions of the NERC Bylaws, the Board’s conflict of interest policy, and Trustee succession policy in making its recommendations.
- 3. Technology and Security Committee:** The purpose of this committee is to assist the Board by providing oversight to the corporation’s (i) information technology program, (ii) information security program, and (iii) [Electricity Sector Information Sharing and Analysis Center](#) (E-ISAC - the electric industry’s cyber and physical security knowledge and leadership center), as well as performing such other responsibilities as directed by the Board or this Mandate.
- 4. Corporate Governance and Human Resources Committee:** The purpose of this committee is to assist the Board in (i) insuring the appropriate governance approaches for the corporation, (ii) overseeing the corporation’s employee compensation and benefit approaches, including the compensation of the corporation’s Board members and officers, and (iii) overseeing the corporation’s programs and practices for personnel development and human resources, as well as performing such other responsibilities as directed by the Board.
- 5. Enterprise-wide Risk Committee:** The purpose of this committee is to assist the Board in the oversight of

(i) the corporation's risk management program, internal controls processes and ethics related policies and procedures, (ii) compliance by NERC and each of the Regional Entities with the [NERC Rules of Procedure](#) (ROP) and governmental authorizations, regulations and orders, and (iii) coordinating with the Compliance and Certification Committee (CCC - a NERC Board-appointed stakeholder committee serving and reporting directly to the NERC Board) with respect to the CCC's execution of its responsibilities under applicable orders, the ROP and the CCC's Charter, as well as performing such other responsibilities as directed by the Board.

6. **Finance and Audit Committee:** The purpose of this committee is to assist the Board in fulfilling its oversight responsibilities for NERC's financial results and reporting process, system of internal financial and accounting controls and financial audit process and its oversight of the NERC, Regional Entities and [Western Interconnection Regional Advisory Body](#) (WIRAB) business plans and budgets, as well as performing such other responsibilities as directed by the Board or the Committee Mandate.

Meeting schedule (For the remainder of 2020 and 2021)*

The NERC Board will meet in-person on the following dates:

2020 Dates

February 5-6 Manhattan Beach, CA
May 13-14 Washington, DC
August 19-20* Vancouver, Canada
November 4-5 Atlanta, GA

2021 Dates

February 3-4 Manhattan Beach, CA
May 12-13 Washington, DC
August 11-12 TBD-Canada (Montreal/Toronto)
November 3-4 TBD-Atlanta/New Orleans

*These dates are subject to change and updates can be found on the [NERC Board of Trustees webpage](#).

The Board has also met each January with the CGHR Committee in person on performance, compensation and related issues. Other meetings may be held by conference call.

The Board operates in a transparent manner, with most Board meetings open to the public. Meeting announcements are broadly distributed and attendees may include representatives from regulatory agencies, members, other stakeholders, and the press. Attendance usually ranges from 200-250 people.

Trustees are expected to arrive a day or two before the scheduled quarterly Board meetings to attend additional meetings with stakeholders and others. In addition to the regularly scheduled quarterly meetings, the Board and its committees hold a number of special meetings and conference calls throughout the year focused on specific issues. Trustees are also requested to attend at least two additional outreach meetings a year to include a combination of any of the following: Regional Entity Board meetings, trade meetings, technical committee meetings, etc. Also, one trustee is assigned as an observer to the Electricity Subsector Coordinating Council (ESCC).

Candidate Profile

As can be seen on NERC's website, www.nerc.com, the composition of the Board of Trustees, individually and collectively, provides the Board with a broad array of expertise and experience. We seek a spectrum of skills in order to ensure a diverse Board composition. This includes individuals with prior board experience and skill sets that include familiarity with regulatory constructs that have a risk-based compliance and enforcement aspect, as well as with strategic planning.

Candidates should be a Canadian citizen and reside in Canada and ideally, have an understanding of the utility industry and the contiguous bulk power system and its associated regulatory construct. This would include knowledge of the Canadian electricity landscape including some familiarity with (but not necessarily deep technical expertise in):

- The structure and operating characteristics of the electric generation and transmission systems in Canada; and
- Provincial and federal policies and regulatory regimes governing the electric industry.

Candidates will have experience and be comfortable in dealing with large and diverse groups of stakeholders. We seek individuals with senior executive leadership and Board experience, along with knowledge across a broad base, such as: financial leadership, electricity markets, risk management, cyber security, information technology, and human resources practices. A demonstrated track record in pragmatic business management is attractive. We also seek geographic, ethnic, and gender diversity.

- Technical Electric Operations and Reliability Expertise
 - Such as retired former electric utility senior executives; present or former executives or board members of electric power reliability councils; present or former executives from power pools; retired military officers with relevant experience; or present or former professional utilities services firm executives.
- Legal Expertise and Regulatory Matters
 - Corporate chief legal officers or general counsels or present or former national law firm partners, former state or federal (non-energy) regulators; present or former executives of environmental or consumer organizations; former attorneys general or consumer affairs officials; former legislators, academics or economics experts with relevant public interest background; individuals with a demonstrated reputation and record of commitment to consumer issues; energy office officials (state or federal ALJs, judges, etc.); or strategic planners or public policy experts.
- Senior Corporate Leadership Expertise
 - Such as present or former service industry executives or management consultants; present or former chief executives, chief financial officers; present or former senior executives of financial institutions, investment banking or financial accounting/auditing organizations.
 - Executives with experience in presiding over significant corporate cultural change and/or organization design/redevelopment that has led to marked improvements in performance, strategic alignment, and innovation.
 - Executives with experience in employing public relations and communication programs that have resulted in improved awareness and performance with customers and a wide array of stakeholders.

- Financial and Risk Management Expertise
 - Such as present or former financial exchange executives; present or former commodity trading company executives; executives or attorneys with extensive anti-trust background; present or former executives in recently-deregulated industries; former state or federal regulators with deregulation experience; or academics or consultants with relevant market experience.
- Familiarity with Regional System Operation Issues

Candidates must also fit within the culture of the Board that can be described as open, candid and focused on respectful debate, adheres to the highest ethical standards, has a passion for NERC's mission and brings a sincere commitment to the public interest. Individuals must be comfortable working transparently in an open board setting in which meetings are held open to the public and media.

To minimize the possibility of conflicts of interest, we require each new trustee to be independent consistent with NERC's Independence Guidelines. By this, we mean a person who is not an officer, employee, director or consultant providing advisory services to an entity that would reasonably be perceived as having a direct financial interest in the outcome of Board decisions and who does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a trustee. A newly-elected trustee must terminate any prohibited financial interest or other relationship with an entity included on NERC's Compliance Registry within 60 days of election to the Board. The prohibited interests mentioned above apply to members of his or her immediate household as well.

Regardless of background and functional expertise, each NERC trustee must possess a keen interest in multi-faceted problem solving and be comfortable discussing "big picture" strategy issues along with detailed industry technical speak. Furthermore, the candidate(s) must exhibit a willingness and desire to bring out the best in fellow Board members, foster a spirit of teamwork, and proactively address the myriad of economic, social, political, and regulatory issues that will impact NERC's core mission of improving the reliability and security of the bulk power system in North America.

Service as a NERC trustee requires a substantial time commitment. Based upon empirical measurement, the average trustee can spend up to 10 hours per week on NERC matters. There is a considerable amount of reading in order to prepare for Board meetings, including briefing papers and technical assessments. Trustees are expected to come prepared to discuss issues.

The Board seeks a trustee that can commit to at least two, three-year terms, while ideally being able to serve the allowable four-term limit.

Board Compensation

The current Board compensation is set forth below. Each trustee will receive a retainer, as well as travel reimbursement for each meeting.

- **Annual Retainer:**
 - 2020: \$122,500
 - 2021: \$127,200
- **Committee Chair/ESCC Retainer:** \$10,000

- **Vice Chair Retainer:** \$5,000
- **Standards Committee Liaison Retainer:** \$5,000
- **Chair Retainer:**
 - 2020: \$170,000
 - 2021: \$175,000

The Board's pattern is to adjust compensation every three years, with a three-year phase in of the new compensation. Based on this schedule, the Board would next determine whether or not to adjust compensation at its August 2021 meeting, with any modifications effective as of January 2022.

Suggestions for Candidates

Please submit all suggestions for candidates to Trevor Smith of Odgers Berndtson, at trevor.smith@odgersberndtson.com. All suggestions for candidates must be received by **March 13, 2020**.