ISO RTO Council

Standards Review Committee

Comments on

NERC 2018 Business Plan and Budget

June 29, 2017

The ISO RTO Council Standards Review Committee ("SRC") has reviewed NERC's proposed 2018 Business and Budget Plan ("2018 B&BP" or "Plan") and wishes to comment on certain aspects of the Plan. The SRC believes that Reliability Standards have come a long way since their inception ten years ago and FERC's Order 693. NERC's approaches to implementing "Steady-State" Standards and the Risk-Based Compliance Monitoring have brought much needed clarity and efficiencies in the understanding and enforcement of standards. Certainly, as new threats to the reliability & security of the grid arise, and new findings are made from the analysis of system disruptions and events, NERC must continually be vigilant to determine what means are best suited to mitigate these threats with standards being one of the many tools to be used.

In that light, our primary concern with the 2018 B&BP is that NERC too heavily emphasizes creating and revising Reliability Standards. NERC should guard against expending its resources as well as those of stakeholders and registered entities from counteracting the benefits of the Steady State Standards and Risk-Based Compliance Monitoring initiatives. The development, implementation and enforcement of standards have cost implications that reverberate through the NERC organization, registered entities, and ultimately customers. Though the Steady State Standards effort has ended, the revisions are still relatively new and have little data and documentation to show effective they are in affecting reliability. NERC should not revise the approved standards unless there is demonstrable deficiencies. NERC must realign its efforts to first assess how effective the standards are. The Enhanced Periodic Review process should include steps to assess true impacts on reliability through acquiring relative grid data.

In its 2018 B&BP, the SRC urges NERC to:

1) Not rely on continual standards revisions and development
2) Focus efforts on programs that can help in the identification of risks
3) Explore ways data can be collected and analyzed to determine the effectiveness of standards

The SRC is not saying that the current set of NERC standards is perfect and no further periodic reviews or changes are needed. The efforts NERC and the industry have taken in recent years appear to have achieved major improvements in the level of reliability and compliance. Directing industry to expend additional resources on new or modified standards should be done primarily where NERC is able to identify how the change significantly improves reliability or reduces unnecessary compliance burden. NERC should work with RISC or NERC's Standing Committees to develop a strategic approach to identify where significant gaps in Reliability Standards may exist and how best to address those gaps. Conducting this type of strategic analysis will help NERC and Stakeholders understand what type of

Standard Development work, compliance monitoring approach or other awareness enhancing activities are appropriate. Such work would lead to a better supported B&BP..

The SRC offers the specific questions and comments below:

NERC still lacks meaningful reliability performance metrics to benchmark reliability – especially in cyber security. Collaboration with other industries and appropriate technology providers should be explored.

Page 7. Goal 1: First goal should not be Reliability Standards development. Goals three and four (related to identification of risks) should be moved up. Standards should only be one way to address the risks.

Evaluate option for assessing cost effectiveness – this was a good first step last year – but NERC should now move on to trials and examples of how to measure cost effectiveness.

Goal 3: Identification and Mitigation of Risks – it was mentioned in Goal 1 to have a feedback loop for reliability standards effectiveness and need for clarifications, updates. The assessments of events should also have an eye on the effectiveness/implementation of standards for feedback.

Page 11. The graphic implies that the compliance area presents the greatest opportunity for savings and efficiencies. More efficiencies need to be realized to expedite processing of compliance findings to realize more savings in this area.

Page 16. We support the investment in the ERO CMEP Application but ask that the description clarify the end purpose of this significant investment includes improving consistency and efficiency for the Registered Entities, especially those registered in multiple Regional Entities.

Page 16. The "reserve" associated with the System Operator program implies we are charging too much for recertification. NERC should extend the certification window to 4 or 5 years (with a commensurate adjustment in total CEHs).

Page 25. When there are FERC directives, the Industry should be brought into the discussion to offer insight on equally effective alternatives and cost effective ways to address the directive. This should be done prior to forming a drafting team. We do agree that NERC should go back and affirm whether all past directives are still necessary given the length of time that has passed.

Page 25. We are unsure of the value of the "standards grading" effort as it currently exists and ask NERC to seek other means to measure a standard's effectiveness. Standards should not be changed without substantive facts or data to support the change. The grading system employed today should be tied to empirical data related to compliance results, system data, or research supported data.

Page 35. Rather than immediately looking for "standards gaps" following events, NERC should collect the root causes and look for patterns and then select the most appropriate and cost effective tool(s) to address the risk.

Page 41. Consider that the industry self-identifies the vast majority of violations. The greatest efficiency NERC could enable is to give provisional logging authority to all entities that have demonstrated they

find and report their own violations. An objective yet simple risk assessment tool would allow minor issues to be documented and corrected in a fraction of the 14 months it presently takes (if average age of a violation in process is 7 months, it means it takes on average 14 months to dispose of them).

Page 99. There are close to 40 new/revised standards or portions of standards becoming enforceable annually. Other than standards projects to address directives, all other standards projects should be put on hold. The industry should be asked which of the projects on hold should continue. There should be no more enhanced periodic reviews. NERC should stick to the 10 year review schedule. The approach to the review should be changed such that the issues are laid out (to include grading), and the industry asked whether the standard is OK as-is or whether there are issues that need to be addressed.

Page 101. What changes does NERC foresee for changes to the threshold criteria for distribution providers? It seems that, with distributed generation, there is greater need for visibility into the distribution system, not more entities removed from the registry.

Page 106. We do not support the development of interconnection-wide short-circuit models. The SRC believes short-circuit issues can be addressed most effectively and efficiently without the need to develop interconnection-wide models.