



RELIABILITY FIRST

PUBLIC

Minutes

Board of Directors • Compliance Committee

April 26, 2023 • 1:00 PM – 3:00 PM (ET)

ReliabilityFirst Corporation
3 Summit Park Drive
Cleveland, OH 44131

Open Session

Call to Order – Chair Joanna Burkey called to order a duly noticed open meeting of the Compliance Committee (Committee) on April 26, 2023, at 1:01 pm (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 December 7, 2022 Committee meeting, which were included with the agenda package. Upon a motion duly made and seconded, the Committee approved the minutes as presented.

Enforcement Update – Tom Scanlon, RF’s Managing Enforcement Counsel, provided an update on enforcement activities. He discussed enforcement intake, processing, and inventory metrics, as well as specific risks and trends identified through RF’s enforcement activities. Mr. Scanlon reported that that RF received a high volume of violations in 2022 and is receiving a high volume this year as well. However, the majority of these violations are self-reported and minimal risk in nature. He discussed the top violated Requirements over the past year (CIP-10-3, R1, CIP-10-4, R1, CIP-003-8, R2, and PRC-005-6, R3), and noted that an uptick in CIP-003 violations was expected based on targeted outreach and monitoring activities related to the Standard.

Tim Gallagher, RF’s President and CEO, stressed the importance of continued focus on PRC-005, which has historically has been among the top violated standards at RF. Mr. Seiler agreed and noted that the industry needs to address known risks (such as PRC-005

issues), in order to focus on emerging and complex risks (such as those associated with the changing resource mix).

Mr. Scanlon then discussed violation processing metrics, reporting that RF processed 400 violations last year and that RF processed approximately 30% of the ERO's violations in 2022. He also noted that 85% of RF's violations were processed as Compliance Exceptions or Find, Fix, Track, and Reports, and that 80% were CIP violations. There was then discussion on how violations are processed for affiliate entities, and discussion of regional coordinated oversight.

Next, Mr. Scanlon reported on RF inventory metrics based on the year of violation discovery and the age of the violations. He stated that 68% of RF's current inventory is from 2022 and 2023, and there has been much progress the past few years to drive this result. He highlighted the importance of maintaining open lines of communication with entities and mitigating the risk of a violation as soon as possible.

North Carolina Physical Security Attack Cluster – Chair Burkey introduced Bill Peterson, SERC Senior Manager, Training, Outreach and Communication. Mr. Peterson shared an overview of the North American physical security threat landscape as assessed by the NERC E-ISAC, and focused on a recent uptick in clustered ballistic attacks.

He began with a high-level explanation of the risk landscape by explaining the components of a transformer and the setup of transformers in several types of substations. Mr. Peterson then discussed NERC E-ISAC physical security incident metrics, which show that only 3% of physical security incidents impact the grid. However, he noted that there has been a notable increase in physical security incidents in the third and fourth quarters of 2022 compared to baseline trends, and an uptick in ballistic damage, intrusion, tampering, vandalism, and clustered attacks.

Mr. Peterson then discussed the recent cluster of substation attacks in Moore County, Jones County, and Randolph County, North Carolina. He walked through a timeline of the attacks and noted that approximately 42,000 customers lost power for multiple days due to transformer damage in the Moore County attack. Mr. Peterson emphasized that none of the substations involved were CIP-014 substations, and there have been no attacks on CIP-014 substations that have resulted in a power outage since CIP-014 has been enforceable. He discussed the grave consequences that can result from physical security incidents and stated that most life-sustaining activities such as hospitals and emergency services are reliant on the Bulk-Power System.

Mr. Peterson discussed the ERO Enterprise response to the physical security incident, including outreach efforts and NERC's study on the effectiveness of CIP-014 directed by FERC following the North Carolina substation attacks. In the study, NERC evaluated: 1) if CIP-014 applicability criteria is adequate, 2) if the risk assessment required in CIP-014 is adequate, and 3) if a minimum level of physical protection should be established for all BPS transmission stations and substations and primary control centers. NERC found that the

CIP-014 applicability criteria is adequate, but that the CIP-014 risk assessment needs more detailed requirements to ensure effective and consistent risk assessments take place. NERC did not recommend a common minimum level of physical security protection for all BPS transmission stations, substations, and primary control centers at this time, but noted that more study is needed and that it will work with FERC on this issue. During the discussion, Ms. Sterling noted that industry was not included or asked for input during the CIP-014 study and report. There was then discussion among the Committee on transformer supply chain concerns, as well as how some traditional security measures such as cameras are helpful after the fact but are not deterring attacks from taking place.

Winterization Update – Derek Kassimer, RF's Principal Technical Analyst, provided an update on cold weather reliability topics. He began with an update on RF's voluntary cold weather readiness program, which includes surveys and site-visits to generator owners. Mr. Kassimer stated that in advance of the 2022/2023 winter, RF sent 21 surveys and conducted nine generator site-visits to assess cold weather preparations. He noted that NERC published a lessons learned document on icing issues based on learnings from RF's cold weather readiness program. Jeff Craigo, RF's Senior Vice President Reliability & Risk, pointed out the uniqueness of RF's cold weather readiness program and how it has different objectives from compliance monitoring processes, but noted that the program should be evaluated given the approval of new cold weather readiness reliability standards. Nick Poluch from Talen Energy shared that Talen participated in RF's cold weather readiness program and had a valuable experience.

Next, Mr. Kassimer discussed the status of NERC's standards drafting Project 2021-17 focused on drafting cold weather standards. He reported that FERC approved phase one of the project's EOP-011-3 and EOP-012-1 in February, but that FERC directed modifications to EOP-012-1. The standard drafting team is working on these modifications, as well as its phase 2 work on EOP-011-4 and TOP-002-5. Mr. Kassimer also discussed NERC Small Group Advisory Sessions, NERC Alerts, the FERC/NERC Black Start Unit Availability Study, and the FERC/NERC Inquiry on Winter Storm Elliot.

Regional Risk Assessment – Johnny Gest, RF's Manager, Engineering & System Performance, led a discussion regarding the RF Regional Risk Assessment (RRA) and provided an overview of future plans for involving RF Committees in its development. Mr. Gest began by providing an overview of the Stakeholder Advisory and Technical Committees. Then he provided an overview of the RRA, which currently examines risk from a regional perspective and results in an internal report created every two years. Mr. Gest discussed RF's risk priorities and how they compare to the overall ERO risk priorities. The Committee discussed the concept of risk monitoring vs. risk ownership, and how RF can conduct outreach and shed light on emerging risks. There was also discussion on the risks associated with gas-electric coordination. Mr. Gest then shared future plans for the RRA, including utilization of the Stakeholder and Advisory Committees in the RRA creation process to obtain stakeholder perspectives on risks in the RF footprint.

Compliance Committee Charter Discussion – Chair Burkey led a discussion on proposed changes to the Compliance Committee Charter (Charter), which included changing the name of the Committee to the “Risk and Compliance Committee” and expanding the Committee’s scope to focus on risks to the grid beyond compliance (including how RF addresses risks through various tools and methods). The proposed changes also include the Committee having oversight of the Stakeholder Advisory and Technical Committees (which previously resided with the Nominating and Governance Committee).

Ms. Schaefer discussed additional proposed changes to the Charter that would move the nominations of hearing officers to the Nominating and Governance Committee. She also noted additional minor changes to the Charter for consistency with other Committee Charters. The Committee expressed their support for the proposed changes and did not have any questions or concerns at this time.

Next Meeting – Chair Burkey noted that the next Committee meeting will occur in Cleveland on August 23, 2023. At 2:49 pm, Chair Burkey moved the Committee into closed session.

Closed Session

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

Adjourn – Upon a motion duly made and seconded, Chair Burkey adjourned the Committee meeting at 3:25 pm (ET).

As approved on this 23rd day of August, 2023 by
the Compliance Committee,



Niki Schaefer
*Vice President General Counsel & Corporate
Secretary*

Attachment A

Others Present During the Compliance Committee Meeting

Jeff Craigio • ReliabilityFirst
Dowdell, Beth • ReliabilityFirst
Scott Etnoyer • Talen
Tim Gallagher • ReliabilityFirst, President & CEO
Megan Gambrel • ReliabilityFirst
Johnny Gest • ReliabilityFirst
Vinit Gupta • ITC
Diane Holder • ReliabilityFirst
Erik Johnson • ReliabilityFirst
Derek Kassimer • ReliabilityFirst
Bill Peterson • SERC
Nicholas Poluch • Talen
Niki Schaefer • ReliabilityFirst
Kristen Senk • ReliabilityFirst
Jennifer Sterling • Exelon
Brian Thiry • ReliabilityFirst
Matt Thomas • ReliabilityFirst
Jody Tortora • ReliabilityFirst
Jim Uhrin • ReliabilityFirst
Colleen VanZandt-Dolan