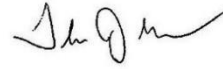


To: NERC Board of Trustees (BOT)
From: Thomas J. Galloway, NATF President and CEO
Date: January 19, 2022
Subject: NATF Periodic Report to the NERC BOT (February 2022)
Attachments: NATF External Newsletter (January 2022)



The NATF interfaces with the industry as well as regulatory agencies on key reliability, resiliency, security, and safety topics to promote collaboration, alignment, and continuous improvement, while reducing duplication of effort. Examples are highlighted below and in the attached NATF external newsletter, which is also available on our public website: www.natf.net/news/newsletters.

NATF Supply Chain Risk Management Activities and ERO Support

Much progress has been made toward supply chain security since 2017 when, in response to the directives in Federal Energy Regulatory Commission (FERC) Order 829, the NERC board asked the North American Transmission Forum (NATF) and others in industry to develop and share “white papers” addressing best and leading practices in supply chain management.

The NATF’s ongoing supply chain work has continued to address the NERC board’s resolution with a focus on security solutions. During the “Supply Chain Risk Management” agenda item, the NATF will summarize progress made toward supply chain security since the resolution was issued.

The ERO and the NATF have common objectives but different roles and capabilities. Over the past several years, our organizations have coordinated to align respective efforts in an ever-more complementary fashion. The NATF provides confidential venues for members to share information and work toward excellence in reliability, resilience, and security. It follows that NATF’s supply chain work has been pursued from the perspective of security excellence.

The NATF’s work has complemented the efforts of the ERO Enterprise (ERO) as the ERO has worked with entities on meeting compliance. Together, the ERO and the NATF have been working to memorialize the concept that a focus on security can meet the requirements of compliance through the ERO’s endorsement of implementation guidance and recognition by the NERC board.

Facility Ratings

With strong support and encouragement from the NATF board and member company leadership, NATF members, representing approximately 84% of the total transmission mileage at 100 kV and above in the United States and Canada, are actively working to enhance their facility ratings practices, processes, and controls. The NATF is currently compiling results from its third information collection from members to track ongoing status of practices implementation and will provide a summary report to the ERO in March 2022.

As noted in the attached newsletter, the NATF has updated its practices document to incorporate a risk methodology to prioritize implementation of the practices based on relative facility risk and likelihood of ratings errors.

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NATF-ERO Leadership Meetings

NATF and ERO leadership meet periodically to discuss collaborative work and industry topics. The most-recent call, on January 14, included discussions on supply chain, grid security emergencies, ambient adjusted ratings, facility ratings, cold-weather event report, climate change, reliability assessments, inverter performance, and 6 GHz spectrum.

These meetings continue to evolve in both attendance and benefit. While early sessions began with NATF and NERC staff only, these meetings now include NATF board members and Regional Entity CEOs.

North American Transmission Forum External Newsletter

January 2022

Annual Supply Chain Criteria and Questionnaire Revision Process Underway

The NATF is commencing the annual revision process for the “NATF Supply Chain Security Criteria” and the “Energy Sector Supply Chain Risk Questionnaire.” The revision process, the criteria, and the questionnaire are posted on the NATF’s public [Supply Chain Cyber Security Industry Coordination site](#). The process is open to industry, suppliers, regulators, and other stakeholders.

Input on the criteria and questionnaire can be submitted to supplychain@natf.net until close of business February 18 for consideration in the 2022 review cycle.

As the criteria and questionnaire are expected to be the bases for information included in a potential central library, it is important that the information you need to conduct risk analyses is included.

***As a reminder:** The criteria and questionnaire capture supplier information important to the electric sector for conducting risk assessments while keeping the amount of data received to a manageable level. The criteria are also verifiable. They are mapped to the National Institute of Standards and Technology (NIST) framework; and while NIST does not have a third-party certification or assessment available, the criteria are also mapped to other security frameworks that are certified or assessed by a qualified third-party. Note that while there is not a single security framework that addresses all criteria, including NIST, most can be verified by obtaining a combination of certifications and/or assessments.*

Central Library for Supply Chain Risk Information

The concept of a central library, or repository, provides for supply chain risk information and resources to be available in one secure location, to streamline suppliers’ ability to provide information and enable industry entities to identify and mitigate supply chain risks effectively and efficiently.

Discussions on whether a central library could be a viable solution for accessing supply chain risk information began in 2021. Efforts were launched to explore if there is sufficient interest and support and, if so, obtain insight into whether the central library should be a repository or offer more services. These efforts will culminate this spring.

Industry. One activity is being conducted by four trade organizations: APPA, EEI, NATF, and NRECA, to gauge industry interest and support. Great caution is being taken to ensure that an open process is conducted with a focus on enhancing competition, small business participation, diversity, and innovation. The survey was issued to members of the participating trades’ organizations on November 29 and closed on January 18.

Suppliers. A parallel survey activity is being conducted to gauge interest from suppliers and obtain supplier feedback regarding their needs for a central library. This survey was distributed through the International Society of Automation, US Chamber of Commerce, National Electrical Manufacturers Association, NATF, and

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NATF members. It is being promoted to electric sector suppliers/vendors and is available to other suppliers that would be interested in responding. This survey was distributed on January 11 and will close on January 24.

These activities will provide insight on whether the development of a central library is a viable solution, based on the level of interest and support from these two groups. The NATF would like to extend our appreciation to the organizations that contributed to the surveys. Future steps in the development a central library will be determined based on the information obtained through these activities.

Facility Ratings

With strong support and encouragement from the NATF board and member company leadership, NATF members representing approximately 84% of the total transmission mileage at 100 kV and above in the United States and Canada are actively working to enhance their facility ratings practices, processes, and controls. To date, overall member progress has been positive, in aggregate, with increases in both participation and implementation status since the inception of the NATF's facility ratings initiative.

The NATF recently updated its "Facility Ratings Practices Document" to incorporate a risk-based approach for members to use in prioritizing their implementation of certain practices, especially ones that require extensive resources and time to implement. The NATF's risk construct considers (1) categories of facilities based on relative inherent risk to system reliability and (2) scenarios that could increase the likelihood of errors. The update to the practice document also includes some example internal controls for facility ratings processes.

In addition, to provide members with a "one-stop shop" for information related to NATF facility ratings activities, a new page for facility ratings has been created on the NATF's member portal. The new page includes links to existing facility ratings resources, member examples, and a new FAQ section.

Lastly, the NATF is actively engaged in supporting member implementation by highlighting areas of lagging performance, recommending no-regrets actions, and supporting members as needed through targeted assistance.

Ambient-Adjusted Ratings

On a related topic, the NATF is closely monitoring FERC Order 881 ("Managing Transmission Line Ratings") activities and will determine the best ways to support members before, during, and after the three-year implementation period. It is anticipated that best practices related to the order implementation will be developed and socialized throughout the membership to help facilitate effective response.

Value of NATF Peer Reviews

NATF review teams, comprising the members' own subject-matter experts, conduct periodic, confidential evaluations of NATF member organizations (which we refer to as "hosts"). Each review consists of three to four days of interviews and observations, followed by a report that includes recommendations to the host member's executives and staff. Best practices from both the host and review team organizations are brought back to NATF practice groups for further sharing.

Peer review team members usually bring an equal amount of information back to their own organizations after the review because of the open sharing and discussions between the host and review teams during the interviews. Review team members exchange their own practices and programs with one another and build new peer relationships in the process.

Realized Value

To help understand the overall benefit of the program, NATF staff follows up with hosts at both the six-month and one-year marks to inquire about the status of recommendations offered (i.e., completed, partially completed, planned for future implementation, still under review, or plan to take no action). Recommendations members have completed, partially completed, or plan to complete in the future are considered “realized value,” meaning that implementation of the recommendations improves aspects such as member processes, procedures, readiness, safety, and, ultimately, transmission-system reliability and resilience.

Since inception, the NATF membership has provided hosts of peer reviews with approximately 7,900 recommendations and, of those, approximately 5,700 have been acted upon, for a 72% realized value at the one-year mark.

Redacted Operating Experience Reports

We recently posted three new operating experience reports to the “[Documents](#)” section of our public site for members and other utilities to use internally and share with their contractors to help improve safety, reliability, and resilience.

For more information about the NATF, please visit <https://www.natf.net/>.