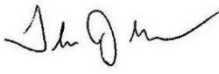


To: NERC Board of Trustees (BOT)
From: Thomas J. Galloway, NATF President and CEO 
Date: October 13, 2021
Subject: NATF Periodic Report to the NERC BOT (November 2021)
Attachments: NATF External Newsletter (October 2021)

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. Some 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 Foundations, Next Steps, and ERO Support

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

Since that time, the NATF and NATF-led Industry Organizations Team (consisting of electric utilities, energy industry trade and forum representatives, suppliers, third-party assessors, and solution providers) have produced—and openly shared—work that is responsive to the NERC board's resolutions to address supply chain risk management issues. The NATF and the Industry Organizations Team's objectives are to further supply chain security through the identification and mitigation of risks; to converge industry on information needed for that purpose; and to develop practices that are efficient, effective, and meet compliance requirements.

With those objectives in mind, the NATF's "Supply Chain Security Assessment Model," the "NATF Supply Chain Security Criteria," and "Energy Sector Supply Chain Risk Questionnaire" were developed. The Industry Organizations Team also developed guides for entities on understanding third-party assessments and using solution providers for third-party risk management. A series of webinars was conducted to share entities' methods for conducting risk assessments, and APPA (an Industry Organization Team member) developed a guide with input from other team members on supply chain risk management, including methods for conducting a risk assessment. Information on available products and services to identify and mitigate risks was provided in another webinar series.

As we reflect on these accomplishments, it is also an opportunity to look forward to what is needed to achieve the next level of maturity for these supply chain security efforts. Four key components are emerging for maturity:

- A process for evaluating and mitigating supply chain risks
- The information that is needed from suppliers to evaluate potential supply chain risks
- Entities' access to supplier information and other supply chain risk information

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- Entities' ability to know their practices, if appropriately implemented, will meet compliance requirements

The first three have been achieved or are in process. The NATF model provides the process, and the NATF criteria and questionnaire obtain the information needed from suppliers. The NATF criteria and questionnaire may be revised as needed through the associated industry-wide revision process that includes regulators, intelligence agencies (e.g., the E-ISAC), and suppliers. Regarding industry access to information, the NATF, EEI, APPA, and NRECA—with industry support—are embarking on activities to assess the need for and potential interest in a proposed central library concept, which is ultimately intended to streamline the collection and sharing of supply chain risk information.

The NATF has asked for assistance from the NERC board, NERC, and the Regions on the last component. ERO endorsement of the NATF and industry efforts conducted to support the 2017 NERC board request (specifically the NATF model, criteria, and questionnaire) would provide registered entities with added confidence that, if implemented appropriately, use of these tools is one way to meet compliance. NERC board recognition of the NATF's supply chain work and products as responsive to the 2017 resolution and ERO endorsement of the NATF model, criteria, and questionnaire will serve to further foster industry convergence on these methods to enhance security. More information will be provided for the February 2022 NERC board meeting.

Winter 2021 Freeze Event

NATF staff and members have been reviewing the preliminary findings and recommendations from the FERC-ERO joint inquiry team's report on the 2021 winter freeze event. The NATF has been facilitating information exchange for members and discussing further options to support members without duplicating effort. The report will serve as input to help guide any specific NATF actions. One potential action is a joint NATF-NERC webinar for NATF members regarding recommendations from the inquiry.

Facility Ratings

The NATF has been working with its members to socialize and review member implementation of facility ratings practices developed by a team of subject-matter experts from NATF member companies. A summary report on overall member implementation status as of April 2021 was provided by the NATF to NERC and regional entity leadership in August. The NATF is currently conducting its third information collection from members to track ongoing status of practices implementation. The next summary report to the ERO will be provided in January/February 2022.

In addition, the NATF is updating its facility ratings practices document to incorporate a method to prioritize implementation of the practices based on relevant facility risk and note examples of internal controls for facility ratings processes. The revised document should be ready for member use in November 2021.

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 the "host"). 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.

The NATF has conducted over 100 peer reviews, offering significant value to members. 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.

To date, the NATF membership has provided peer-review hosts over 7900 recommendations, of which approximately 5700 have completed or planned action; the realized value is 72% at the one-year follow-up mark.

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NATF Posts Guidance for Entities Working with Solution Providers

The NATF has posted the “NATF Industry Collaboration: Using Solution Providers for Third-Party Risk Management” guide for industry use. The document clarifies the role of a solution provider and provides guidance for entities that are considering a solution provider’s services to assist with evaluations of suppliers’ cyber security practices. These services, such as gathering supplier information and providing analysis, can provide significant support for an entity’s ongoing supply chain cyber security risk management.

The Industry Organization Team suppliers and solution providers jointly developed the document. They have provided entities with items to consider based on insights from both perspectives and, through the development of this document, strengthened the relationships between the two industries.

The document is available on the NATF [Supply Chain Cyber Security Industry Coordination](#) page.



2021 EPRI-NERC-NATF Planning and Modeling Virtual Seminar

The NATF is partnering with the North American Electric Reliability Corporation (NERC) and the Electric Power Research Institute (EPRI) to host a planning and modeling seminar focused on planning for a decarbonized grid. Subject-matter experts from across the industry will present on topics such as planning aspects of hybrid plants and bulk electric system storage, use of climate information for assessing the impacts of extreme weather events, and technology impacting the industry.

The seminar will be conducted over two days: November 3-4 from 1:00 p.m. to 4:00 p.m. eastern each day. See the [event flyer](#) for more information.

New Product for NATF Members

The NATF is launching a new offering for members: NATF bulletins. As part of the NATF’s value proposition to actively leverage the strengths of our individual members to make the entire membership stronger, the intent of an NATF bulletin is to improve and promote reliability, security, safety, and resilience through the sharing of actionable information. NATF bulletins share lessons learned and recommendations obtained by aggregating and analyzing member experiences and data to provide opportunities for members to learn without experiencing issues and events first-hand.

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Redacted Operating Experience Reports

We recently posted two 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 www.natf.net.