

Second Quarter Letter to Members

June 30, 2021



Thomas (Tom) Kent
NPPD President and CEO,
Board Chair



Sara Patrick
MRO President and CEO

Dear Members and Stakeholders:

The purpose of this letter is to keep you apprised of the work of the MRO Board of Directors and the different initiatives and activities taking place across the organization.

The board and its Organizational Group Oversight Committee (OGOC) met last week on June 23-24, 2021. While these meetings were again held virtually given the ongoing pandemic situation and related travel restrictions, there is light at the end of the tunnel and we are looking forward to being in person again soon. The third quarter board meetings in September will also be virtual, but a decision has not been made yet regarding the annual meeting in December. Stay tuned to MRO's website calendar for the status of future board meetings.

At the OGOC meeting on Wednesday, June 23, the committee heard about the recent activities of MRO's advisory councils and subgroups, which include planning a significant amount of outreach across the region on important reliability and security topics. A summary of those efforts is described below.

The CMEP Advisory Council (CMEPAC) continues to host a monthly call with regional stakeholders to discuss existing and new regulatory requirements and other compliance monitoring and enforcement matters. The CMEPAC has also begun publishing responses to entity questions in MRO's bimonthly newsletter *Midwest Reliability Matters*, and is preparing for MRO's Annual CMEP Conference that is scheduled to be held virtually on July 27, 2021.

The Reliability Advisory Council (RAC) promoted the recent release of MRO's [Regional Summer Assessment](#), which identifies challenges and potential reliability risks to the bulk power system in MRO's regional footprint during the summer months. A webinar is planned to review the assessment with industry stakeholders on July 14, 2021. The RAC has been busy planning MRO's Annual

Reliability Conference, which will be held virtually on August 24, 2021, and will cover important topics like gas/electric coordination, facility ratings, and the February severe cold weather event.

The Security Advisory Council (SAC) has produced several webinars so far in 2021 and contributes regularly to MRO's newsletter. The SAC is also busy planning MRO's Annual Security Conference, which will be a weeklong event bookended by two full days of security training and the annual Regional Security Risk Assessment. The SAC Threat Forum, which meets weekly to discuss and share information on emerging risks, has decided to discontinue the second weekly call it established at the onset of COVID-19 to share information on pandemic response and preparedness. Status updates on the pandemic will be provided as necessary during the regular weekly threat call.

More information on how to participate in these important outreach events can be found on the [calendar page](#) of our website.

Also at the meeting, the OGOE continued its discussion on how best to ensure diversity across MRO's organizational groups, deciding that increasing awareness of volunteer opportunities and encouraging more diversity among applicants is the best short-term approach to accomplishing this objective. Longer term solutions were contemplated and will be developed in coordination with the OGOE, MRO's advisory councils, and staff. Other actions taken by the committee include:

- Approval of staff's recommendation to expand the number of NERC committees MRO sponsors representation on from 6 to 13;
- Revisions to Policy and Procedure 3 (Organizational Groups);
- Revisions to MRO's NERC Representative Guidelines; and
- New members on MRO organizational groups.

A complete list of the decisions made by the OGOE is in the draft meeting minutes on MRO's website.

During the board's executive session on June 24, the board voted to nominate Independent Director Jeanne Tisinger to the members for re-election to a second term beginning in 2022. Tisinger has served on the board since 2019 and currently serves as chair of the Governance and Personnel Committee. Also in closed session, the board heard reports from staff on MRO's compliance monitoring and enforcement activities, industry-related security topics, a facility update, and the status of MRO's strategic metrics.

The open board meeting was held on the afternoon of June 24. We were fortunate to have Colleen Sidford from the NERC Board of Trustees attend the meeting and provide her perspectives on ERO Enterprise areas of focus. February's severe cold weather event was again a key topic of discussion, with invited guests from both Midcontinent Independent System Operator (MISO) and Southwest Power Pool (SPP) providing presentations on the impact of the event in both regional footprints. Dr. Renuka Chatterjee, MISO's Executive Director of System Operations, said that MISO has a meteorologist on staff and conducts readiness and fuel supply assessments to help prepare for these types of events. This, coupled with the diverse fuel mix in the region, helped to ensure reliability during the February event.

CJ Brown, SPP's Director of System Operations, emphasized the tremendous job that both system operators did ahead of the event, and Reliability Coordinators did during the event, to issue alerts

and public conservation appeals and manage congestion during unprecedented conditions. Both Chatterjee and Brown drew attention to the extraordinary power flows across both regional footprints during the event, as power was exported from MISO to SPP and then to Texas to address shortages and help serve consumer demand. The sustained nature of this event presented many challenges and was a key contributor to the event's severity. This event illustrates the urgency of generation availability, especially during tight conditions, and the importance of transmission planning to ensure reliability of the bulk power system as a whole.

Also at the open meeting, MRO staff provided an update on the status of the Align and Secure Evidence Locker implementation, which have been significant areas of focus across the ERO Enterprise. MRO was one of the first Regional Entities to deploy the new tools in late March, and has worked with ERO Enterprise partners to schedule second and third releases of the projects later this year.

The board also reviewed and approved MRO's draft 2022 Business Plan and Budget. The budget reflects an 8.8 percent increase in expenses over 2021 and a 5 percent increase in assessments. The primary driver for the increase is five additional FTEs to support MRO's federal mandate and strategic priorities. MRO's Vice President and Engineer for Strategy, Innovation and Finance, Lam Chung, provided a presentation on the budget details and trends, which is available for review on [MRO's website](#). Having experienced a 10 percent increase in registered entities in 2021, Chung summarized the comprehensive process staff used to identify the need for additional resources as well as alternatives that were considered. He also reviewed areas of savings that partially offset the budget increase, noting how MRO used its assessment stabilization reserves to reduce the assessment increase. In approving the budget, the board emphasized the need for long-term budget planning to help project and alleviate the impact of future increases on industry.

Other decisions the board made at the meeting are:

- Appointment of Baker Tilly to audit MRO's 2021 financial statements;
- Approval of the 2022 operating reserves; and
- Approval of the 2022 post retiree medical plan funding.

You can read more about the discussions and actions taken at the first quarter OGOC and board meetings in the full meeting minutes, which will be available on [MRO's website](#) soon. MRO's third quarter board meetings will be held by Webex on September 29-30, 2021, and we encourage you to attend!



Tom Kent, Board Chair



Sara Patrick, President and CEO

