1	UNITED STATES OF AMERICA	
2	NUCLEAR REGULATORY COMMISSION	
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4	JOINT MEETING OF THE FEDERAL ENERGY REGULATORY COMMISSION	
5	AND THE NUCLEAR REGULATORY COMMISSION ON GRID RELIABILITY	
6	+ + + + +	
7	WEDNESDAY	
8	MARCH 16, 2010	
9	+ + + + +	
10	0 The Commission convened at 1:30 p.m.,	
11	the Honorable Gregory B. Jaczko, Chairman,	
12	2 presiding.	
13		
14	NUCLEAR REGULATORY COMMISSION	
15	GREGORY B. JACZKO, CHAIRMAN	
16	KRISTINE L. SVINICKI, COMMISSIONER	
17		
18	FEDERAL ENERGY REGULATORY COMMISSION	
19	JON WELLINGHOFF, CHAIRMAN	
20	PHILIP D. MOELLER, COMMISSIONER	
21	MARC SPITZER, COMMISSIONER	
22	JOHN R. NORRIS, COMMISSIONER	

BRUCE MALLETT, NRC PANEL 1 DAVID MATTHEWS, NRC DAVID R. NEVIUS, NERC KEITH O'NEAL, FERC PANEL 2 DAVID ANDREJCAK, FERC DAVID L. SKEEN, NRC PANEL 3 GERRY W. CAULEY, NERC **REGIS BINDER, FERC** SCOTT MORRIS, NRC

- 1 CHAIRMAN JACZKO: Welcome everybody.
- 2 First of all, I want to welcome our
- 3 colleagues from the Federal Energy Regulatory
- 4 Commission.
- 5 I think this is now the fifth time that we
- 6 have met together as Commissions, and I really
- 7 think it has been a great opportunity for all of us
- 8 to get together.
- 9 We had an opportunity just to talk
- 10 privately earlier and just to talk about some of
- 11 the challenges we face as regulators.
- 12 I think these meetings have been a great
- 13 opportunity for us to bring together our staffs and
- 14 the Commissions, themselves, to work on issues of
- 15 overlap.
- 16 I think the collaboration and cooperation
- 17 has been tremendous.
- 18 We certainly appreciate the work that you
- 19 have done and the work you've done to help us on a
- 20 couple of significant issues.
- 21 One of the things I wanted to highlight,
- 22 specifically, is the significant progress that we

- 1 have all made on dealing with issues and our
- 2 coordination in the areas of cyber security.
- 3 This is certainly a significant issue for
- 4 us as an agency, and I think as a nation, to deal
- 5 with threats from cyber security, our nuclear
- 6 facilities, and how that impacts the reliability of
- 7 the bulk-power system.
- 8 Last September the NRC and the FERC updated
- 9 the Memorandum of Agreement which we have
- 10 which will facilitate our interactions on areas of
- 11 mutual interest including, as I said, the issues
- 12 dealing with cyber security.
- 13 Just this past December, the NRC and NERC
- 14 were able to finalize a Memorandum of Understanding
- 15 that will coordinate our roles and responsibilities
- 16 specifically with respect to some aspects of cyber security.
- 17 These are two of the many examples of the
- 18 way that we've worked well together, and I think
- 19 these meetings have been an opportunity for us to
- 20 demonstrate the work that we are doing together and
- 21 how we collaborate and cooperate.
- 22 I appreciate all of you being here and I

- 1 will turn it to Chairman Wellinghoff, if you want
- 2 to make some comments.
- 3 CHAIRMAN WELLINGHOFF: Thank you, Chairman Jaczko.
- 4 I appreciate it very much and it's a
- 5 pleasure to be here.
- 6 I have with me my Commissioners that we've
- 7 had an opportunity to be with you a number of times
- 8 before, our almost annual meeting and hopefully we
- 9 can make it annual.
- 10 I've got Commissioner Spitzer, Commissioner
- 11 Moeller, and our newest Commissioner member as
- 12 well, Commissioner John Norris who joined us
- 13 recently.
- 14 It is a pleasure to be here today and thank
- 15 you for hosting this, I appreciate it very much.
- 16 I am looking forward to today's
- 17 presentations and opportunity to look at the
- 18 coordinated lines of responsibility that we have
- 19 with respect to issues like operational cyber
- 20 security realms.
- 21 I understand today we'll have staff
- 22 presentations regarding NERC reliability standards,

- 1 and that standard NUC-001-2 which requires 2 coordination of nuclear plant generation operator 3 and transmission facilities and allows for safe 4 operations and shut down of nuclear plants as well 5 as reliable operation to the power grid. 6 We'll also, as I understand, review the 7 progress of the efforts of the industry and the 8 Commission to establish real-time situational 9 awareness to aid in understanding both normal 10 operating conditions and anomalies in the power 11 grid. 12 Lastly, I understand, we will hear the 13 staff's report of where the line of demarcation 14 was drawn between the nuclear power plant and power 15 grid equipment for cyber security standards and 16 authority between our two Commissions. 17 I am very interested today to hear the 18 presentations from all of our panels and again, 19 thank you very much for having us here. 20 CHAIRMAN JACZKO: Before we start, Commissioner 21 Svinicki I don't know if you would like to make any
- 22 comments.

- 1 COMMISSIONER SVINICKI: I would just join you,
- 2 Chairman Jaczko, in welcoming our colleagues here today and
- 3 I think we are certainly able to fortify both of our
- 4 regulatory objectives.
- 5 We impact some of the same regulated
- 6 entities.
- 7 Where we can coordinate I think the work of
- 8 both Commissions is advanced.
- 9 Thank you.
- 10 CHAIRMAN JACZKO: If our other Commissioners would
- 11 like to make any comments.
- 12 COMMISSIONER SPITZER: Wonderful to see federal agencies
- 13 working in harmony.
- 14 Thank you.
- 15 CHAIRMAN JACZKO: With that, we will turn it over
- 16 to Bruce Mallett who will begin with the staff
- 17 presentations. I'm sorry.
- 18 The way I thought we would work the
- 19 meeting, we will have -- after each topical
- 20 presentation, we'll have several presentations on
- 21 each of the three topics that we have, and then
- 22 have an opportunity for comments from -- questions

- 1 from the Commissioners, and then we will go through
- 2 each panel that way, until we are finished.
- 3 MR. MALLETT: Thank you.
- 4 Good afternoon Chairman Jaczko and Chairman
- 5 Wellinghoff and Commissioners.
- 6 The staff is going to talk to you today
- 7 about the activities, as you said Chairman Jaczko,
- 8 that we've conducted in cooperative agreements
- 9 during the past couple of years since we met
- 10 before.
- 11 I think you will see that when we talked
- 12 about the activities that at least all three
- 13 organizations that are represented will show you
- 14 that there has been good progress, as you said, in
- 15 this cooperation.
- 16 Especially in enhancing security and safety
- 17 of nuclear power plants and in the reliability of
- 18 the power grid.
- 19 This is the fourth meeting, I believe of
- 20 this type as we were discussing yesterday Chairman,
- 21 and you will note as you said we have made much
- 22 progress in some of these areas and I hope you will

- 1 see that I truly believe, as you, that the
- 2 cooperation amongst all of our agencies is vital to
- 3 our success in this arena.
- 4 As you said, we will conduct this meeting
- 5 using three panels.
- 6 The first panel will talk about an update
- 7 on planning for new reactor facilities and impacts
- 8 on the transmission and reliability standards.
- 9 The second panel will talk about
- 10 reliability standards and grid reliability
- 11 assessment and event assessment.
- 12 The third will finish up talking about
- 13 cyber security.
- 14 So, I will start by trying to pronounce
- 15 some of these names and introducing the first
- 16 panel.
- 17 We have, to make it exciting for you,
- 18 switched up the order on the first panel.
- 19 We didn't want you to get too comfortable
- 20 on the other side of the table.
- 21 Our first speaker will be David Matthews.
- 22 David is the Director of our Division of

- 1 New Reactor Licensing in the Nuclear Regulatory
- 2 Commission.
- 3 The second speaker will be David Nevius.
- 4 David is a Senior Vice President of the North
- 5 American Electric Reliability Corporation.
- 6 The last speaker for this first panel will
- 7 be Keith O'Neal.
- 8 Keith is the Director of the Division of
- 9 Reliability Standards in the Federal Energy
- 10 Regulatory Commission.
- 11 With that I will turn it over to David
- 12 Matthews.
- 13 MR. MATTHEWS: Good afternoon, Chairman.
- 14 Excuse me.
- 15 With that, I will start over.
- 16 Good afternoon Chairman and Commissioners.
- 17 By way of providing additional introduction
- 18 to today's discussions, I intend to provide a quick
- 19 regulatory perspective of the important role of
- 20 off-site electrical power and transmission systems
- as they relate to nuclear reactor safety.
- 22 Followed by an update on the new reactor

- 1 applications that have been submitted for review
- 2 within the NRC.
- 3 A quick projection, very quick, of possible
- 4 future activity.
- 5 Slide 2, please.
- 6 The requirements and importance of off-site
- 7 power and grid reliability can be summarized by
- 8 observing that the preferred source of power for
- 9 safely shutting down a nuclear reactor during
- 10 normal evolutions or in response to unanticipated
- 11 events, is the off-site power and transmission
- 12 system.
- 13 While there are, of course, sources of
- 14 emergency on-site power to accomplish safe
- 15 shutdown, regardless of the particular design, the
- 16 NRC staff evaluates each applicant's information on
- 17 the design and analysis of the off-site system for
- 18 providing that preferred power for nuclear power
- 19 plants.
- 20 Slide 3, please.
- 21 This graphic reflects the 18 combined
- 22 license applications, "combined" meaning construction

- 1 and operating applications, that have been
- 2 submitted to and docketed for review by the NRC.
- 3 There are 13 of those applications that are
- 4 under active review at this time.
- 5 The reviews of five of the applications
- 6 have been suspended at the request of the
- 7 respective applicants.
- 8 If approved, the licenses that may emanate
- 9 would authorize the construction and operation of
- 10 up to 22 reactor units.
- 11 Each of which would be capable of
- 12 potentially supplying in excess of 1000 megawatts
- 13 of generating capacity.
- 14 The 13 applications under review are
- 15 relying on, or referenced is the term we use in the
- 16 regulation, five different large light-water cooled
- 17 designs.
- 18 All of the referenced designs are also in
- 19 the process of being reviewed for original design
- 20 certification, or are designs that were previously
- 21 certified that are in the process of being amended.
- As of this date, there are two early site permit

- 1 applications expected to be submitted within this
- 2 calendar year with no designation yet of a chosen
- 3 technology or design.
- 4 At this time, no additional combined
- 5 license applications are expected to be submitted
- 6 to the NRC for review before 2012.
- 7 The four projects that were down selected,
- 8 and that is the term DOE uses, by DOE for possible
- 9 loan guarantees are among those under active review
- 10 at this time.
- 11 Those are the Vogtle Project, the Summer
- 12 Project, the South Texas Project, and the Calvert
- 13 Cliffs Project.
- 14 As you are likely aware, the owners of the
- 15 Vogtle 3 and 4 Project recently received
- 16 conditional loan guarantee commitment letters from
- 17 DOE.
- 18 With that, I believe the next presenter
- 19 will be David Nevius of NERC.
- 20 MR. NEVIUS: Thank you Dave, and thank you for the
- 21 invitation to appear again before this joint meeting.
- 22 I've been here several times both speaking

- 1 for myself and supporting Rick Sergel, our former
- 2 CEO.
- 3 I wanted to start by congratulating the
- 4 Chairman for his selection of ties today.
- 5 I just recognized that the one my wife
- 6 bought me is similar to the one that you have on
- 7 and it is very nice.
- 8 This first topic of planning for new
- 9 reactors and necessary transmission and reliability
- 10 standards is very broad.
- 11 I will touch on part of it.
- 12 I am going to touch briefly on several of
- 13 these topics that relate to the integration of new
- 14 nuclear power plants reliably into the bulk-power
- 15 grid.
- 16 Second slide.
- 17 As several of you know, NERC produces an
- 18 annual long-term assessment of the reliability of
- 19 the North American power grid.
- 20 Several years ago I met with the Chairman
- 21 and his staff to discuss the latest long-term
- 22 assessment of some of the issues that you had

- 1 questions on.
- 2 These assessments discuss projected
- 3 electricity supply and demand, they evaluate
- 4 transmission system adequacy and reliability
- 5 issues, and discuss other key issues and trends
- 6 that could affect future grid reliability.
- 7 Our 2009 long-term assessment cited these
- 8 five issues as significant to the future
- 9 reliability of the bulk-power system.
- 10 Several of them, obviously are of
- 11 particular important to the NRC and to nuclear
- 12 licensees.
- 13 Of these issues, the ones with the greatest
- 14 potential to have an impact on the integration --
- 15 the reliable integration of new nuclear plants into
- 16 the system are the projected significant increase
- 17 in variable generation and the transmission
- 18 planning and citing and construction of required
- 19 new transmission lines.
- 20 Next slide.
- 21 Approximately 260,000 megawatts of new
- 22 nameplate renewable capacity is projected to be

- 1 added over the next ten years with roughly 96% of
- 2 this comprising wind and solar power.
- 3 Though not all of this capacity may come
- 4 into fruition.
- 5 It represents a significant shift in the
- 6 resource mix for North America.
- 7 Keep in mind that the effective capacity at
- 8 the time of system peak for these variable
- 9 resources ranges from as little as 8% up to about
- 10 25%.
- 11 This shift represents a significant change
- 12 from capacity dominated resources to energy only
- 13 resources, thereby changing the way we have to plan
- 14 and operate the bulk-power system to maintain its
- 15 reliability.
- 16 Next slide.
- 17 Electric system demand generally peaks in
- 18 late afternoon in the summer, while land-based wind
- 19 energy is not persistent during the day.
- 20 With its output typically peaking in the
- 21 early morning and late evening hours.
- 22 It's this limited availability of wind

1	capacity at the time of system peak versus it's
2	generally high availability during off-peak hours
3	along with rapid ramp rates for this type of
4	capacity, both up and down, that can impact the
5	operation of nuclear units.
6	Areas with increasing concentrations of
7	wind capacity, I would point to Texas as one of
8	those areas, are carefully studying these impacts
9	on the planning and reliable operation of their
10	systems.
11	NERC devoted a special report to this
12	subject called accommodating high levels of
13	variable generation last April, which contained a
14	number of recommendations for electric system
15	planners, operators, and for research and
16	development activities.
17	NERC is studying the implications on
18	bulk-power system reliability of integrating large
19	amounts of variable generation, namely there are
20	three significant factors or requirements.
21	The accurate forecasting of wind
22	generation, the increased system flexibility from

1	resources such as demand response and enhanced
2	designs of conventional generation, and improved
3	interconnection standards to ensure variable
4	resources can contribute to bulk-power system
5	reliability.
6	Next slide.
7	One of the other issues that can affect the
8	reliable integration of new nuclear units into the
9	bulk-power system is transmission.
10	Two years ago I addressed the joint meeting
11	of your two Commissions on this topic of planning
12	for new reactors and made a number of points,
13	including the need for thorough impact studies,
14	that is new units are not just plug-and-play
15	generators.
16	That transmission is difficult to site and
17	had been lagging behind demand and capacity growth.
18	Finally, that large unit sizes, up to as
19	much as 1600 megawatts for a single unit, place
20	additional requirements on the grid in terms of
21	circuit breaker duty and the combined effects on
22	grid stability.

1	I am pleased to report that more
2	transmission is being planned than in previous
3	years.
4	Many of these additions are needed to
5	improve reliability and integrate new renewable
6	resources.
7	In addition, those planning to add new
8	nuclear units as well as those planning upgrades of
9	existing units are taking into account the
10	transmission issues that we talked about several
11	years ago and are including specific information in
12	their applications to the NRC that address those
13	issues.
14	Thank you very much and I look forward to
15	your questions.
16	MR. O'NEAL: Good afternoon.
17	Chairman Jaczko and Chairman Wellinghoff
18	and Commissioners.
19	It is my pleasure to be here today to
20	provide an update to the reliability standard
21	development process since our last joint meeting
22	two years ago.

1	My name is Keith O'Neal, I am the Director
2	of the Division of Reliability Standards within the
3	Office of Electric Reliability.
4	Today I will provide a review of FERC's
5	role in establishing mandatory reliability
6	standards and a brief review of NERC's reliability
7	standard regarding nuclear plant interface
8	coordination.
9	Next slide, please.
10	The Division of Reliability Standards
11	monitors the development of revised of new and
12	revised reliability standards, as well as
13	recommends development of new or modified
14	reliability standards in order to protect and
15	improve the reliability of the bulk-power system.
16	The reliability standards apply to users,
17	owners, and operators of the bulk-power system.
18	Once approved by the Commission, these
19	reliability standards become mandatory and
20	enforceable to help ensure bulk-power system
21	reliability.
22	The Commission does not write the

1 standards, or the revisions to the standards.

- 2 In July 2006, the Commission certified the
- 3 North American Electric Reliability Corporation, or
- 4 NERC, as the electric reliability organization, or
- 5 ERO.
- 6 A major role of the ERO is to develop and
- 7 propose new or revised standards to the Commission.
- 8 Next slide, please.
- 9 Upon receipt of the proposed standards, the
- 10 Commission can either approve the standards or
- 11 remand them back to the ERO.
- 12 In many cases the Commission has approved
- 13 proposed standards and at the same time, directed
- 14 improvements.
- 15 While the Commission does not have the
- 16 authority to write reliability standards, they can
- 17 direct that a standard be modified or a new one be
- 18 developed to serve the public interest in providing
- 19 for bulk-power system reliability.
- 20 Next slide.
- 21 Electricity generated from nuclear power
- 22 plants is a significant part of the bulk-power

- 1 system.
- 2 It is, therefore, important for grid
- 3 reliability.
- 4 Proper coordination between nuclear plant
- 5 operators and grid operators that provide
- 6 interconnection and black start services to the plant will
- 7 result in efficient, safe, and reliable operations.
- 8 At the time of our last joint meeting, the
- 9 ERO had filed with FERC for its approval nuclear
- 10 plant interface coordination reliability standard
- 11 NUC-001.
- 12 In response to this filing the Commission
- 13 established docket RN08-3 and issued a notice of
- 14 proposed rulemaking or NOPR on March 20, 2008
- 15 proposing to approve the standard.
- 16 The Commission posted NOPR for stakeholder
- 17 comment through May 13, 2008.
- 18 The industry comments pointed out a few
- 19 minor issues with the draft standard.
- 20 Before issuing a final rule, FERC staff
- 21 consulted with NRC staff about the concerns
- 22 expressed and comments.

- 1 Coordination between FERC and NRC staffs,
- 2 for instance discussing the definition of "coping
- 3 time", helped to improve the clarity in the
- 4 development of the standard.
- 5 Next slide, please.
- 6 A final rule, Order 716, was issued on
- 7 October 16, 2008 that addressed industry comments and
- 8 approved NUC-001 with directives for several
- 9 modifications.
- 10 The Commission directed NERC to modify
- 11 requirement R9.3.5 to clarify references to coping
- 12 times and off-site power restoration.
- 13 The Commission also directed NERC to
- 14 require that integrated entities provide
- 15 documentation of its arrangements including
- 16 appropriate procedures and protocols ensuring that
- 17 its business unit perform the functions under
- 18 NUC-001 that would otherwise be met by separate
- 19 entities.
- 20 Next slide.
- 21 On August 14, 2009, the ERO submitted a
- 22 petition seeking Commission approval of Version 2

1 of the nuclear reliability standard, NUC-001-2.

- 2 To the ERO's approved reliability standards
- 3 development process, modifications of NUC-001 were
- 4 developed to address the Commission's directives.
- 5 The Commission concluded that the changes
- 6 appropriately addressed the directives and approved
- 7 Version 2 of the nuclear reliability standard on
- 8 January 21, 2010, Docket RN09-10.
- 9 Version 2 will become effective on April 1,
- 10 2010.
- 11 One change among several was its
- 12 determination to increase clarity by not using the
- 13 term "coping time".
- 14 We look forward to continuing interagency
- 15 coordination efforts by our respective staffs as
- 16 necessary.
- 17 Thank you again for your time, and I would
- 18 be happy to answer any questions.
- 19 MR. MALLETT: This concludes our discussion of
- 20 this first panel topic on new reactors and transmission line
- 21 standards.
- 22 CHAIRMAN JACZKO: Thank you for those

1 presentations.

2 Jon, I thought I would turn to you and to your

3 Commissioners if you would like to begin with

4 questions.

5 CHAIRMAN WELLINGHOFF: Just for the panel overall,

6 this issue raised the integration of variable resources into

7 the grid and how it may impact the new proposed nuclear

- 8 units for the whole panel.
- 9 What are the major challenges you see with
- 10 that integration issue given --

11 Let me set a little background here, on the

- 12 wind we've got, I was mentioning to my colleagues
- 13 earlier at lunch, we had somewhere in the
- 14 neighborhood of 9900 megawatts of wind that was
- 15 integrated in the grid in 2009 there is projections
- 16 to continue to escalate that level of development
- 17 of wind over time.
- 18 Mr. Nevius, I think you mentioned 200
- 19 gigawatts over some period of time.
- 20 In addition to that, there are areas of the
- 21 country that in certain regions are approaching 20%
- 22 wind as a percent of peak load, SPP is one area

- 1 Bonneville is another, Texas I think when they get
- 2 to their 18 gigawatts built out relatively soon
- 3 they will be over 8%.
- 4 If I could have the panel address how that
- 5 variable resource may impact the ability to put on
- 6 these large nuclear units.
- 7 MR. NEVIUS: Thank you for that
- 8 question, Mr. Chairman.
- 9 I think the primary factor is during
- 10 off-peak times when the wind is blowing the hardest
- 11 and you get the maximum energy output of wind
- 12 generation, you may have too much generation for
- 13 the amount of load that you have on the system.
- 14 The wind is there if you have to absorb all
- 15 of that wind generation, it may mean backing down
- 16 other generation, which could include nuclear
- 17 generation.
- 18 For a number of reasons, that is not
- 19 something that one would like to do.
- 20 So, there are a lot of studies going on,
- 21 especially within Texas, to look at this issue
- 22 because they are approaching that point where being

- 1 able to accommodate and absorb wind generation
- 2 off-peak could become an operational issue.
- 3 The other issue has to do with the
- 4 rapid ramp rates, when the speed of the wind
- 5 changes quickly, especially if a lot of your wind
- 6 energy is coming from a single area and the wind drops
- 7 off or the wind picks up, either way.
- 8 Having sufficient reserves -- other
- 9 reserves on the system to move up and down to
- 10 absorb those changes -- the ramp rates changes that
- 11 occur.
- 12 It is being studied and looked at to
- 13 accommodate it, but the terms of the impact on
- 14 nuclear units you get to the point where you have
- 15 too much wind, if you will, or more wind than you
- 16 have load, plus the nuclear, you would have to look
- 17 at the possibility of backing off nuclear off-peak.
- 18 CHAIRMAN WELLINGHOFF: Gentlemen, any other
- 19 comments?
- 20 MR. MATTHEWS: I will just offer that at this point
- 21 in time we don't require the combined license applicants or
- 22 the operator actors to address information on issues of

1 regional capacity reserves, area protection schemes, and

- 2 capacity capabilities among the regions.
- 3 We do look to FERC and NERC to be the
- 4 ultimate responsibility with regard to those
- 5 issues.
- 6 Certainly we have a review activity which
- 7 ensures that there is constant coordination between
- 8 the nuclear plant operators and their regional grid
- 9 operators to ensure that such events, if they were
- 10 to ensue, are anticipated and can be handled in an
- 11 appropriate manner with regard to the, if you will,
- 12 the inertia of the nuclear units with regard to
- 13 their ability to follow load.
- 14 MR. O'NEAL: I would just add that I agree with
- 15 what Mr. Nevius was saying from NERC, it is an important
- 16 issue and I think it does highlight the need for frequency
- 17 response and a need to look at that issue and determine what
- 18 we need to do. In particular, it could play into what a new
- 19 standard might look like.
- 20 CHAIRMAN WELLINGHOFF: I know they are backing
- 21 down coal units in Texas, I was down there recently and
- 22 discussed this with Chairman Smitherman of the Texas

- 1 Commission.
- 2 What are the actual operating difficulties
- 3 if you have to back down a nuclear unit, can
- 4 anybody enlighten me on that?
- 5 MR. MATTHEWS: I would probably not be the best
- 6 one to enlighten you on that.
- 7 I think we might best turn to either David
- 8 Skeen or someone from Office of Nuclear Reactor
- 9 Regulation to address that, or we could wait until
- 10 they are here on the panel.
- 11 CHAIRMAN WELLINGHOFF: If there's another panel,
- 12 we can do that.
- 13 Alright, then I think that's all I have.
- 14 Gentlemen, questions?
- 15 COMMISSIONER MOELLER: Thank you Mr. Chairmen.
- 16 We heard an anecdote last week from our PJM
- 17 market monitor where there were a couple of
- 18 companies that actually want to shut down coal
- 19 plants but aren't allowed to because they are
- 20 needed for reliability purposes.
- 21 The fact is the transmission system in that
- 22 area is not robust enough to handle a shutdown of

- 1 major coal facilities.
- 2 My concern is going forward with a new
- 3 reactors, do you think there is sufficient interest
- 4 and focus on the need for transmission expansion to
- 5 allow these reactors to essentially be absorbed
- 6 into the grid, we talked about it a little bit two
- 7 years ago but we are getting closer.
- 8 Your comments on that from any of the
- 9 panelists would be welcome.
- 10 MR. NEVIUS: I think -- Commissioner, I think the
- 11 attention to the transmission side of the equation has
- 12 really picked up.
- 13 There was a joint workshop that NRC and
- 14 NERC participated in several years ago where we
- 15 talked about the challenges of citing new
- 16 transmission and how it may take longer to get a
- 17 new one line built than it would be to get the nuclear
- 18 unit licensed and built.
- 19 I think the awareness has been raised
- 20 considerably.
- 21 Both with respect to adding new units and
- 22 also upgrading existing units.

1	There was a situation up in New England
2	where folks learned after the fact about something
3	called a single source limit, where the single
4	largest contingency was limited to 1200 megawatts.
5	Yet, when Seabrook was upgraded to
6	1240 megawatts there was a time there were times
7	when the grid was not able to handle Seabrook
8	operating at that new uprated value.
9	So, I think the attention has been raised.
10	In that particular workshop we had a
11	gentleman from Southern Company talk about the
12	transmission in reinforcements needed with the two
13	new Vogtle units which are planning to go ahead.
14	While there wasn't a lot of transmission
15	needed, they had to replace 35 circuit breakers
16	because of short circuit duties and add a new
17	substation, and they had this planned out over a
18	seven-year phased-in project.
19	It is a lengthy time that it takes to do
20	the proper reinforcements, to study the impacts on
21	the grid, especially if you're putting in units
22	that are up to 1600 megawatts.

- 1 You have to look at the overall grid
- 2 stability impacts.
- 3 I think the intention has been raised and I
- 4 think people are paying attention to it much more
- 5 than they were three or four years ago.
- 6 COMMISSIONER SPITZER: If I could follow-up on the
- 7 discussion on transmission.
- 8 We had two years ago fairly in-depth
- 9 analysis of the unique circumstances with regard to
- 10 nuclear -- the discussion has been a little
- 11 broader.
- 12 Following up on Commissioner Moeller's
- 13 question, we have been playing catch-up on
- 14 transmission and it was a recognition by Congress
- 15 in 2005.
- 16 Do you have either subjective opinions or
- 17 objective criteria to determine how much catching
- 18 up we succeeded in doing in the last five years,
- 19 and how much more needs to be done?
- 20 MR. NEVIUS: In our long-term reliability
- 21 assessment that we issued last fall, we talked about a
- 22 significant increase in the planned addition of

1 transmission.

2	I think it was something like 11,000 miles
3	were going to be planned to be added over the next
4	several years, that is a significant increase over
5	what had been the annual edition to transmission.
6	We really went through a valley for a
7	number of years where very little transmission was
8	being built compared to the load growth and growth
9	in generation.
10	So, it has picked up considerably.
11	I think we say that over the analysis of
12	the past 14 years show that the siting and construction of
13	transmission will need to significantly accelerate
14	to maintain liability over the coming 10 years.
15	Actual miles constructed roughly average
16	about 6000 miles a year, recent five year plans
17	indicate increasing the amounts that exceed this
18	average by quite a bit.
19	It is picking up but there is still plans
20	and those plans have to materialize and the siting
21	has to be done and the construction done to bring
22	them to fruition.

1	There is still some challenges ahead not
2	only in the citing, but in cost allocation issues
3	as well.
4	That always has been a major factor in
5	determining the addition of new transmission, who
6	pays?
7	COMMISSIONER SVINICKI: I think my colleagues have
8	covered the topics that I would've raised.
9	I appreciate, Mr. Nevius, that you say
10	we've advanced on our planning for additional
11	transmission, but I would note that again, for the
12	Vogtle applications, they have begun some limited
13	work authorization activities at the site there.
14	This is a case where I don't know if we
15	don't, as Commissioner Spitzer said, if we don't
16	catch up enough time we will have disjointed
17	activities here.
18	The EPR is the technology selection for the
19	Calvert Cliffs application since it is not possible
20	to see one under construction in the U.S., I had
21	the opportunity to travel over to France and meet
22	with my French regulatory counterparts about it.

1	Of course, France has a tremendous nuclear
2	program and I was asking my colleague, a
3	Commissioner from France, about whether or not
4	public acceptance issues stayed very high.
5	He said that there is somewhat of a
6	recognition, and again, the EPR is 1600 megawatts.
7	You know it is big when you go to see it,
8	but when you see it under construction it is a
9	tremendously large unit and that is a tremendous
10	increment of capacity to put on a transmission
11	system, and what my colleague indicated to me was
12	the transmission siting and planning and they have
13	a very elaborate public discourse that they engage
14	with communities.
15	That process is beginning to be there is
16	a focus on how long it takes to license and
17	construct and bring online a nuclear unit, but I
18	think they are coming to understand that the
19	transmission issues may require more extensive
20	planning and time frames.
21	It sounds like between NERC, FERC, and NRC
22	we are at least focused on this problem, but I

- 1 observed the transmission issues really more as an
- 2 outsider just through trade press and others.
- 3 It seems like the siting issues there are
- 4 extensive, so it is not possible to bring a nuclear
- 5 unit online without the right transmission.
- 6 I look forward to continued dialogue
- 7 between our Commissions and with all of our experts
- 8 on this.
- 9 I think it is very important, thank you.
- 10 CHAIRMAN JACZKO: Thank you, Commissioner
- 11 Svinicki.
- 12 I had just two questions. One, Dave you had a
- 13 nice slide showing a lot of the potential new
- 14 projects which are tied to combined
- 15 operating licenses.
- 16 What I will perhaps call a shadow new
- 17 reactor, or addition to the grid -- it's probably
- 18 not a shadow, but it's another path that's a little
- 19 less obvious -- we have one unit under construction
- 20 at Watts Bar, which would add a new unit potentially
- 21 as early as 2012, and we also have a significant
- amount of power uprates that are being considered.
| 1 | We have gone through with the boiling water |
|----|---|
| 2 | reactor fleet adding new power to the grid through |
| 3 | uprates at those facilities, and now what we're |
| 4 | looking at is potentially the pressurized water |
| 5 | reactor fleet adding power to the grid. |
| 6 | The question I would have to any of the |
| 7 | panelists who want to comment, it seems we |
| 8 | certainly have good awareness of those new units |
| 9 | being considered for licensing right now, but are |
| 10 | we equally aware and equally considering those |
| 11 | units that are either existing and being uprated, |
| 12 | or something like Watts Bar Unit 2 that is really |
| 13 | under a very different process and could actually |
| 14 | see power under the grid in a fairly short period |
| 15 | of time? |
| 16 | MR. NEVIUS: I believe we are, again, this is not |
| 17 | to say we should relax and take our eye off the ball. |
| 18 | I think it is important that we keep a high |
| 19 | level of attention on the transmission grid |
| 20 | requirements for the addition of these units, |
| 21 | because it's not just one unit at Watts Bar, it's |
| 22 | the unit at Watts Bar, it's the Vogtle units, it's |

1	all of them in combination and that's why some of
2	the broad-based regional and interregional studies
3	of grid stability are so important modeling the
4	system accurately.
5	We learn all the time when events occur
6	where our modeling needs to be improved.
7	Doing that modeling, evaluating the impacts
8	of all of these new units is critically important.
9	MR. MATTHEWS: I will just offer that certainly as
10	part of the power uprate applications, for example,
11	a revisiting has to take place with regard to the application's
12	presentation of revised information that might have to be
13	provided with regard to issues we have been discussing
14	today.
15	So, that's an element, even though I didn't
16	mention it because I was focused on projects yet to
17	be in terms of operating, power uprates
18	involve that kind of review, of course, in terms
19	of whether some of those analyses that have been
20	previously submitted in support of the original
21	license need to be revisited.
22	That is done and the operating license

- 1 review that will have to take place relative to
- 2 Watts Bar activity will engage at that point with
- 3 the applicant on those issues.
- 4 CHAIRMAN JACZKO: Thank you for those
- 5 presentations.
- 6 I said I had a question -- second question
- 7 or perhaps a simple one and this may be a
- 8 difference in jargon.
- 9 You mentioned in response to Chairman
- 10 Wellinghoff the need for frequency response.
- 11 Mr. O'Neal, can you explain what that is?
- 12 MR. O'NEAL: Frequency deviates per load when
- 13 there's a mismatch of load in generation, and it has to
- 14 be -- it has to be constantly looked at by the operator --
- 15 by system operators in order that it
- 16 doesn't get too far out of line
- 17 and if there's not enough frequency
- 18 response in terms of megawatts of generation that
- 19 can respond as Mr. Nevius was talking about, in a
- 20 quick amount of time you can run into a reliability
- 21 problem, and so that is the concern with frequency
- 22 response.

- 1 There is a current frequency response
- 2 standard.
- 3 It does a reasonable job, and I know there are
- 4 drafting teams that are looking at changes to
- 5 actually make it better.
- 6 CHAIRMAN JACZKO: Dave, generally, do we look at
- 7 frequency response as much or are we more concerned with
- 8 voltage support for nuclear facilities?
- 9 MR. MATTHEWS: Principally, voltage support.
- 10 I might add that since I've had a moment to
- 11 reflect on Chairman Wellinghoff's question, as a
- 12 generalist, I'll just suggest to you, that nuclear
- 13 units are considered base-load generating units,
- 14 they are not load-following units.
- 15 So, I think you implied and I will say
- 16 directly, they are the last resort for any
- 17 generation reduction with regard to a situation
- 18 associated with maintaining grid stability.
- 19 MR. NEVIUS: I could add just a word to the
- 20 frequency response issue.
- 21 We have seen over a number of years that
- 22 when a generating unit or several generating units

1	trip off for some other reason, that the system
2	frequency deviates more for the same number of
3	megawatts lost than it had in previous years.
4	There are a number of factors related to
5	this. We studied this issue back in 1993, made some
6	recommendations about governor controls, about
7	having adequate reserves on the system to be able
8	to absorb that like a shock absorber.
9	From the perspective of the nuclear plant,
10	when the system frequency goes down, your
11	circulating water pumps slow down.
12	There is a point at which the unit will
13	trip because the flow is too little, so this is
14	where it really affects a nuclear plant.
15	Certainly, they're there to support the
16	system in terms of voltage and frequency, but
17	they're also dependent on system voltage and system
18	frequency.
19	So, it's a two-way street.
20	MR. MALLETT: If I could jump in on the question
21	from Chairman Wellinghoff since we started to answer.

22 When -- the impact on nuclear plants, when

- 1 you do reduce load is really -- the plant operates
- 2 much better, with less risk if it stays steady.
- 3 If you start changing power levels, then you
- 4 enter a more risk significant situation and we
- 5 would rather not have that.
- 6 We would rather stay in a balanced steady
- 7 power situation with the nuclear units.
- 8 CHAIRMAN JACZKO: Thank you. Any follow-up
- 9 questions?
- 10 CHAIRMAN WELLINGHOFF: So, only way that works is
- 11 if the nuclear plant is in fact truly base-load from the
- 12 standpoint of economic dispatch.
- 13 In other words, that it's your cheapest
- 14 unit on the system.
- 15 If it's not your cheapest unit on the
- 16 system, you are paying much more for that unit than
- 17 you otherwise would want to because you have other
- 18 units out there that otherwise could come into the
- 19 stack, from an economic dispatch perspective; is
- 20 that correct?
- 21 MR. MALLETT: I'm not the expert on economics in
- 22 that situation, but I was simply saying that when you do

- 1 reduce power on the nuclear unit it does impact the risk
- 2 that you take with operating the unit.
- 3 As far as the considerations of economics
- 4 for base-load I'm not an expert on that.
- 5 CHAIRMAN JACZKO: I think Jack will bail you out.
- 6 MR. GROBE: The name is Jack Grobe, one of the
- 7 Deputy Directors in the Office of Nuclear Reactor
- 8 Regulation, there's a number of issues that go into changing
- 9 powers at nuclear power plants.
- 10 Power is not infrequently adjusted, a few
- 11 megawatts to deal with equipment issues.
- 12 For example testing of valves, changing of
- 13 rod patterns in the core, but those are just a few
- 14 megawatts.
- 15 More significant power changes introduce
- 16 things like what Bruce was saying, those require a
- 17 lot of equipment manipulations and it introduces
- 18 the potential for human factors concerns.
- 19 Human errors, things of that nature.
- 20 We don't consider ourselves that much with
- 21 the economics, we focus strictly on the safety of
- the plant.

- 1 From a safety perspective, it also 2 introduces changes in the dynamics of the core, 3 because the neutrons that create fission also 4 burn or destroy poisons in the core and the 5 fission of the uranium nucleus creates poisons. 6 There is a unique balance that goes back 7 and forth when you make power changes to building 8 in of poisons and burning out of poisons and 9 different things of that nature. 10 So, it changes the dynamics on how the fuel 11 burns and this affects the efficiency in the fuel 12 economy for the operator. 13 Not a concern of ours, but it creates 14 instabilities in the way, not unsafe instabilities, 15 but just changes in the way the core behaves. 16 So, all of those things introduce the 17 opportunity for perturbations to the safety of the 18 core from the standpoint of the way the operators 19 have to respond. 20 CHAIRMAN JACZKO: Thank you.
- 21 I think that leads us nicely into our next
- 22 panel which will talk more in detail about some of

1	these reliability issues and the grid reliability
2	assessments and event analyses with some of the
3	existing units.
4	We will change out the seats and will begin
5	with the next set of presentations. (Panel Changes)
6	MR. MALLETT: As you said, Chairman Jaczko, this
7	panel will talk about reliability standards and grid reliability
8	efforts.
9	It also talks about some of the things you
10	mentioned in the beginning of the cooperation we
11	have had since we last met, that I'm quite proud
12	of, between our two organizations due to the
13	staff's efforts.
14	Let me introduce the panel members.
15	We are down to two for this panel.
16	It is Mr. David Andrejack who is the
17	Director of the Division of Bulk-power Systems at
18	the Federal Energy Regulatory Commission.
19	Then Mr. David Skeen who is currently our
20	acting Director of our Division of Engineering in
21	the Nuclear Regulatory Commission.

22 Both experts in their own right and I think

- 1 you'll appreciate what they have to say.
- 2 MR. ANDREJACK: Thank you, Bruce.
- 3 Mr. Chairman and Commissioners, good
- 4 afternoon.
- 5 My name is David Andrejack and I'm the
- 6 acting Director of the Division of Bulk-power
- 7 System Analysis in FERC's Office of Electric
- 8 Reliability.
- 9 I will present an overview of FERC's
- 10 capabilities for monitoring and analyzing events
- 11 that affect the safe, reliable operation of the
- 12 bulk-power system.
- 13 Next slide, please.
- 14 The largest blackout to affect the United
- 15 States occurred on August 14, 2003.
- 16 It affected more than 50 million people in
- 17 both the U.S. and Canada.
- 18 Nine nuclear reactors tripped off-line in
- 19 the U.S. and seven more in Canada tripped off as
- 20 well.
- 21 After this blackout, Congress passed the
- 22 Energy Policy Act of 2005 and gave FERC authority

- 1 over the reliability of the bulk-power system.
- 2 Included in EPACT 05 was section 1839.
- 3 This section directed the Secretary of
- 4 Energy and FERC to study and issue a joint report to
- 5 Congress on the steps that must be taken to
- 6 establish a system to make available to all
- 7 transmission owners, and regional transmission
- 8 organizations within the Eastern and Western
- 9 interconnections real-time information on the
- 10 functional status of all transmission lines within
- 11 such interconnections.
- 12 The system could give a near instant
- 13 picture as to the health of the transmission
- 14 system.
- 15 This monitoring is essential to industry in
- 16 helping to prevent blackouts.
- 17 Prototype of such a system has been created
- 18 in FERC's Office of Electric Reliability.
- 19 My staff monitors real-time conditions to
- 20 provide situational awareness on the bulk-power
- 21 system and analyzes events and disturbances as they
- 22 occur.

- 1 We also provide technical analysis of
- 2 emerging issues that may affect the bulk-power
- 3 system for the Commission.
- 4 Next slide, please.
- 5 The prototype, which is known as
- 6 reliability monitoring center, or RMC, is shown
- 7 here.
- 8 The bifurcated center is where we receive
- 9 and analyze secure data feeds from NERC, the
- 10 reliability coordinators, and other sources.
- 11 The information that we receive is
- 12 voluntarily provided to us in a geospatial format
- 13 from all areas across the country.
- 14 Through these screens we can monitor near
- 15 real-time conditions on all parts of the bulk-power
- 16 system.
- 17 The RMC consists of two rooms, the
- 18 conference room on the left allows us to conduct
- 19 briefings and presentations while the control room
- 20 shown on the right, has restricted access and
- 21 allows us to protect confidential information.
- 22 We also have various commercial software

- 1 packages for system monitoring, modeling, and
- 2 simulation in the secure room.
- 3 These rooms are connected by an intercom
- 4 and privacy windows.
- 5 Next slide, please.
- 6 This screenshot shows an example of one of
- 7 the items we monitor.
- 8 Through this display, NERC provides us with
- 9 a high-level overview or snapshot of the health of
- 10 the bulk-power system.
- 11 This slide shows the area control error
- 12 display, or ACE.
- 13 ACE is a measure of the generation to load
- 14 balance for each balancing authority.
- 15 The colors indicate the current balance
- 16 between load and generation.
- 17 We also have a number of displays from
- 18 reliability coordinators that provide us with
- 19 high-level overviews of their systems.
- 20 They provide important operational measures
- 21 as identified in the joint report to Congress and
- 22 have historical trending capabilities. The date is provided over

- 1 secure Internet connections with confidentiality agreements, which
- 2 was also noted in the joint report.
- 3 It is important to note that no data is
- 4 stored at FERC, nor do we have operating control
- 5 over any power system component.
- 6 Next slide, please.
- 7 During a system event, we pull together
- 8 information from a variety of sources to build a
- 9 complete picture of the situation and provide
- 10 analysis.
- 11 In addition to the displays from NERC and
- 12 the reliability coordinators, we have access to
- 13 mapping applications, databases, and other
- 14 monitoring tools.
- 15 This screenshot provides an overview of the
- 16 bulk-power system substation that may have come
- 17 into question and can help identify equipment that
- 18 may be involved with an operational issue.
- 19 Next slide, please.
- 20 Staff regularly reviews status reports that
- 21 include projected loading and reserves,
- 22 informational planned and unplanned generation and

- 1 transmission outages, weather forecasts, and other
- 2 relevant items.
- 3 We also coordinate with the electricity
- 4 sector, information sharing and analysis center
- 5 operated by NERC's situational awareness staff.
- 6 We review, monitor, and assess these
- 7 notifications both during normal working hours,
- 8 evenings, and weekends with emergency Blackberry
- 9 coverage.
- 10 During event analysis mode, we utilize our
- 11 visualization screens to review trending of
- 12 historical data to construct pre-event conditions.
- 13 During events, we participate in emergency
- 14 conference calls with NERC, other government
- 15 agencies, including the NRC and industry.
- 16
- 17
- 18
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2	that occur with industry.
3	Staff provides relevant breaking reports to
4	the Chairman, Commissioners, and senior staff that
5	includes descriptions, locations, system element
6	impacts, customer interruption numbers, and other

We also have regular reviews with items

7 relevant issues.

1

- 8 We do this without intrusion into the
- 9 system operator's realm.
- 10 Thank you for the opportunity to provide
- 11 insight into FERC's capability for situational
- 12 awareness, and our event analysis process.
- 13 At the conclusion of Mr. Skeen's presentation I
- 14 will be happy to address any questions or issues
- 15 you may have.
- MR. SKEEN: Good afternoon Chairman Jaczko, 16
- 17 Chairman Wellinghoff, and the Commissioners.
- 18 I'm pleased to be here this afternoon to
- 19 talk to you today and give you a little bit of an
- 20 update on the joint activities of both the NRC,
- 21 FERC, and NERC have undertaken over the last two
- 22 years to support not only nuclear power plant

- 53
- 1 safety, but also bulk-power system reliability.
- 2 Next slide, please.
- 3 What I will try to cover in my presentation
- 4 will be, first the NRC's interactions with both
- 5 FERC and NERC since the last joint Commission
- 6 meeting was held in April of 2008.
- 7 Then, also, our participation in the
- 8 development of the grid reliability standards that
- 9 affect nuclear power plants.
- 10 Our involvement in the joint investigations
- 11 of grid related events that affect nuclear power
- 12 plants, also our interactions with FERC and NERC
- 13 when we are reviewing requests for power uprates, as
- 14 well as enforcement discretion requests that we get
- 15 from nuclear power plants.
- 16 Finally, I will talk a little about our
- 17 ongoing communications that we have concerning grid
- 18 conditions.
- 19 Next slide, please.
- 20 Following the April 2008 joint Commission
- 21 meeting, the NRC staff received a few action items
- 22 from the NRC Commission to follow up on.

1	We were directed to continue to work with
2	FERC and NERC on the critical infrastructure
3	protections standards that are related to the
4	continuity of power for nuclear power plants.
5	We work closely with our counterparts in
6	FERC and NERC to provide comments on the draft CIP
7	standards and we have continued our close
8	communication with FERC and NERC through regularly
9	scheduled quarterly meetings to discuss areas of
10	common interest since that time.
11	Also, we were directed to share with FERC,
12	the lessons we learned from the experience we had
13	with the comprehensive reviews that the Department
14	of Homeland Security had performed for the nuclear
15	sector.
16	That was at our nuclear power plants.
17	We met with the FERC staff and provided
18	information in the background that we had on the
19	comprehensive review program, the
20	role of the NRC as well as other
21	federal agencies in that program and the type of
22	information and work products that could be

- 1 expected during those reviews.
- 2 Then, next, due to the interest that was
- 3 expressed by one of the FERC Commissioners at that
- 4 meeting about our enforcement process, we were
- 5 asked to go meet with our FERC counterparts and
- 6 explain how the NRC enforcement process works and
- 7 to share information with our FERC counterparts.
- 8 Finally, we were also asked, this was
- 9 shortly after the Florida blackout event in 2008,
- 10 when we had this meeting, the
- 11 NRC staff was asked to coordinate and
- 12 work with FERC and NERC on the follow-up of the
- 13 investigation of that event.
- 14 And we did that as well.
- 15 Next slide, please.
- 16 So, we've continued two work very closely
- 17 with FERC and NERC as we have moved forward over
- 18 these last two years.
- 19 We provided comments and met with FERC
- 20 several times during the development of the grid
- 21 reliability standards that are important to nuclear
- 22 power plant safety from a grid interface

- 1 perspective.
- 2 That included standards such as -- just a
- 3 short list, the generation of load balancing,
- 4 emergency preparedness and operations, modeling
- 5 data and analysis, transmission operation,
- 6 transmission planning, and the voltage and reactive
- 7 power standards.
- 8 More recently, as you heard in the previous
- 9 presentation, the NRC staff did work closely with
- 10 NERC on working on the Revision 2 -- we call in
- 11 NUC-001, the nuclear plant interface coordination.
- 12 That was certified by FERC in January of
- 13 this year.
- 14 Currently, we are participating in --
- 15 there's a governing board for the National
- 16 Institute of Standards and Technology's smart grid
- 17 interoperability panel.
- 18 We have a member on that governing board
- 19 that represents the relevant federal agencies, and
- 20 that's an NRC staffer that does that.
- 21 The purpose of the panel is to participate
- 22 in the ongoing coordination and harmonization of

- 1 the standards development for the smart grid.
- 2 In addition to that effort, the smart grid
- 3 has now become a standing topic for our quarterly
- 4 meetings that we have with FERC and NERC staff,
- 5 that is basically just to ensure that the three
- 6 organizations stay informed of any progress in the
- 7 development of the standards as we move forward on
- 8 the smart grid.
- 9 Next slide, please.
- 10 As I mentioned earlier, the NRC staff
- 11 participated with FERC and NERC in developing the
- 12 lessons learned out of the February 2008 Florida
- 13 blackout event.
- 14 That actually tripped off two of our units,
- 15 the Turkey Point Units 3 and 4 in Florida.
- 16 The staff reviewed the details of the event
- 17 and determined in the final analysis that the
- 18 Turkey Point Units had functioned as designed given
- 19 the grid conditions that they saw, and so they did
- 20 trip off as expected.
- 21 There was no further regulatory action for
- 22 the NRC to take in that particular investigation.

1	Out of doing this investigation, however,
2	we gained valuable experience from the evaluation
3	that we performed and we agreed to coordinate in
4	the future with FERC and NERC when other grid
5	related events like this occur that could affect
6	our nuclear plants.
7	The staff has also worked very closely with
8	FERC and NERC during the 2008 hurricane season,
9	that is basically to ensure that when the
10	hurricanes come through, if we lose any nuclear
11	units because of that our concern is to get offsite
12	power restored to those units as soon as feasible.
13	So, we have had very good communications
14	back and forth with FERC and NERC in getting that
15	done.
16	Next slide, please.
17	Many of the nuclear plants in the U.S. have
18	requested an increase in their license power limits
19	over the last few years.
20	The NRC reviews these requests to determine
21	whether the plant can meet all of our license
22	requirements at the higher power level.

1	Our review requires us to take a look at
2	the up-to-date understanding of the reliability of
3	the grid in the vicinity where the plants' off-site
4	power originates.
5	The licensee provides us with the
6	information by getting it first from the grid
7	operator who, of course, follows the NERC standards
8	in providing that information.
9	In addition we sometimes receive requests
10	from our licensees for relief from enforcement of
11	our regulations for various particular reasons.
12	These requests sometimes are made during
13	periods of extreme weather, and our licensees may
14	cite the grid conditions as a factor in their
15	request for the discretion from enforcement.
16	In those cases, we always we have a
17	standing rule to contact FERC and NERC to first
18	verify that the grid conditions that the licensee
19	tells us are in fact what is out there.
20	That is part of our review as we do our
21	enforcement discretion.
22	Next slide, please

Next slide, please.

1	So for the grid monitoring, we continue to
2	monitor the grid on a daily basis here at the NRC.
3	We provide a grid status report and post it
4	on our internal website that we share with our
5	regional counterparts in the four regions the
6	four NRC regional offices.
7	Of course, any unusual grid condition that
8	we receive, we contact FERC and NERC and talk our
9	way through that to make sure we all understand
10	what is going on.
11	This effort has been very useful in
12	identifying potential stressful conditions on the
13	grid in the various regions.
14	And has provided the NRC additional
15	confidence that the nuclear plants can continue to
16	operate safely through the peak summer months.
17	With that, that's the end of my
18	presentation.
19	I look forward to any questions you may
20	have.
21	CHAIRMAN JACZKO: Thank you Dave, I guess two

22 Daves, if you will start with questions.

1	CHAIRMAN WELLINGHOFF: First of all, I do want to
2	say, Gregg, I don't know if you and Commissioner
3	Svinicki have seen our reliability monitoring center, but if
4	you haven't, please we would love to have you tour that.
5	I know a number of your staff has seen it,
6	but anybody from the Commission that is interested,
7	we will make that offer.
8	We're very proud of what Dave has done and
9	what Joe McClellan and his team have done to put
10	that together, and we are constantly improving it.
11	We think it is a tremendous asset and we
12	want to be able to share it with agencies like
13	yours to be able to make full utilization of it.
14	CHAIRMAN JACZKO: Thank you, I appreciate that.
15	I think the last time I visited we had a
16	brief walk through, I think the last time we had a
17	FERC meeting.
18	I think when we do the next one it will be
19	in your house and I think that would be a nice
20	thing to do.
21	I don't know if Commissioner Svinicki has

22 seen it.

1	COMMISSIONER SVINICKI: I did have the opportunity
2	to tour through it with Mr. McClellan himself, so I had the
3	expert there and it was very helpful.
4	Maybe next year, if we have new colleagues
5	they can avail themselves of that opportunity.
6	CHAIRMAN WELLINGHOFF: We would love to do that
7	with them.
8	A couple of questions, one with respect to
9	the 2008 Florida blackout, you indicated Mr. Skeen,
10	that Turkey Point plants 2 and 4 tripped.
11	MR. SKEEN: 3 and 4, yes.
12	CHAIRMAN WELLINGHOFF: 3 and 4.
13	When they tripped I assume there was no
14	issue with respect to their safe and successful
15	shutdown.
16	That was facilitated with the on-site
17	backup generators.
18	MR. SKEEN: That's right with the diesel
19	generators that they have providing emergency power.
20	They were on emergency power for a while.
21	CHAIRMAN WELLINGHOFF: It's an area that I'm not
22	familiar with.

- 1 So, what then is required to have them
- 2 successfully shut down?
- 3 MR. SKEEN: If we lose off-site power?
- 4 CHAIRMAN WELLINGHOFF: Yes.
- 5 MR. SKEEN: The plant immediately trips, the
- 6 reactor trips, all the rods go in, it shuts off the
- 7 reaction.
- 8 At that point you have decay heat that you
- 9 have to get rid of.
- 10 Our emergency core cooling systems have to
- 11 come up and run, we have a lot of pumps that move
- 12 water through to cool the core.
- 13 So, that happens with emergency power.
- 14 In Turkey Point's case, they have diesel
- 15 generators, emergency diesel generator that come
- 16 up, take on the loads of the pumps, and then the
- 17 pumps cool the core down.
- 18 CHAIRMAN WELLINGHOFF: I have no idea of scale,
- 19 what's the magnitude of that load that you have to meet to
- 20 be able to safely shut a plant down?
- 21 MR. SKEEN: 5 megawatts.
- 22 CHAIRMAN WELLINGHOFF: So, a 5 megawatt generator

- 1 will do it then, okay.
- 2 That is for pumping, cooling pumping?
- 3 MR. SKEEN: That is for -- to make the valves
- 4 actuate and have the cooling pumps come on and run
- 5 and circulate the water through.
- 6 CHAIRMAN WELLINGHOFF: Great, thank you.
- 7 You talked about -- you do a grid status
- 8 report prepared daily, you draw information from
- 9 our reliability monitoring center, I assume, in
- 10 part to help you with that report.
- 11 What other sources, if any --?
- 12 MR. SKEEN: Our source of getting the grid status
- 13 comes directly through the licensees.
- 14 We don't come through NERC and FERC for
- 15 that.
- 16 We monitor through that.
- 17 If we have questions, if there are adverse
- 18 conditions, that's when we would call FERC or NERC.
- 19 CHAIRMAN WELLINGHOFF: Let me understand here.
- 20 You get grid status from the licensees so,
- 21 for example, Southern Company would provide you
- 22 with status of their grid where their nuke plants

- 1 are located on a daily basis, or how does that
- 2 work?
- 3 MR. SKEEN: George is our branch chief of our electrical
- 4 engineering branch.
- 5 MR. WILSON: We go to the ISO's, we go to New
- 6 England ISO's website, PJM's website, Midwest ISO's website,
- 7 and we actually go and to look at what they have their
- 8 projected in the rolling reserves or if they have any alerts.
- 9 So, we actually go to the Independent
- 10 System Operators and the Southeast Reliability
- 11 Council. We'll go to SERC and get the information from the Reliability
- 12 Councils and build up our own grid report based on that.
- 13 If things do change, that's when we will go
- 14 to NERC and FERC and get the actual status going on
- 15 right then.
- 16 We will contact your staff and get them to
- 17 contact the ISO's or the local transmission
- 18 companies to try to get that exact information, but
- 19 we actually go to the ISO's websites and pull that off.
- 20 MR. ANDREJCAK: I might add that we do our own
- 21 separate morning report internally where we're assessing
- 22 both the resource adequacy and any transmission lines that

1 may or may be coming out on a plan basis.

- 2 Or if there's -- perhaps in this instance
- 3 we've had a storm, multiple lines have been
- 4 effected, we can better assess the system at that
- 5 point, that's where we begin our coordination with
- 6 the folks here.
- 7 CHAIRMAN WELLINGHOFF: So, do you share that
- 8 report with the NRC?
- 9 MR. ANDREJCAK: No, that's an internal report only
- 10 that we do.
- 11 CHAIRMAN WELLINGHOFF: That might be one area where we might
- 12 be able to share more information potentially.
- 13 Gentlemen, any questions.
- 14 COMMISSIONER MOELLER: First, an observation then a question. We
- 15 have a long way to go but I don't think we should forget that we have made a lot
- 16 of progress in terms of reliability in the bulk-power system.
- 17 Compared to August 14, 2003, we can now go
- 18 to either our reliability center or even if you're
- 19 at the Midwest ISO, they can see things now
- 20 instantly that they couldn't have seen in August of
- 21 2003.
- Again, we have made -- we have a long ways

- 1 to go, but we made a lot of progress, too, in terms
- 2 of the transparency.
- 3 If you want to comment on that, feel free
- 4 but the question is more along the lines of I'm
- 5 afraid I see a day coming where because it is so
- 6 difficult to site and construct and perhaps I have
- 7 cost allocation for new transmission that we may
- 8 have to in working with NERC, essentially order
- 9 some transmission to be built for reliability
- 10 purposes, and I'm just curious if the NRC has
- 11 contemplated that scenario and if so how you might
- 12 play a role in that.
- 13 MR. SKEEN: I don't know that the NRC has
- 14 contemplated ordering more transmission to be built in this
- 15 country.
- 16 As part of our review, when we get a
- 17 license amendment request for a power uprate or a new
- 18 license, one of the things we ask the licensee is
- 19 will the grid support this.
- 20 So, it is up to the licensee to explain to
- 21 us why the grid is sufficient to do that, from a
- 22 safety standpoint.

1	Our safety review mandates that we make
2	sure that the grid is able to support the plant
3	when it comes on line.
4	Or that the plant is not such a large load
5	that if it trips off it brings the rest of the grid
6	down.
7	That is part of our review our licensing
8	review when we go through that, but as far as us
9	mandating what transmission has to be there, we
10	don't do that part.
11	MR. ANDREJCAK: I might add that what I heard from the
12	890 transmission planning conferences that were held here
13	fairly recently that I had chances hit at the panel, it was very much
14	recurring theme from both the renewables from the other
15	folks in the room as well and it reminded me when I started
16	with industry many years ago I still don't want to call
17	myself an old-timer, but at the time that I was a young
18	buck, one of the fellows said to me when I was very excited
19	about the plans that we had just come out with in a very dry
20	sense of humor, looked at me and said son, plans are great,
21	doing is better.

22 We heard that at 890 transmission planning

	, ,
2	have a need to get out there and get things done,
3	at this point we're being very deferential
4	pretty much an understanding mode about how we are
5	going to get that done but definitely things need
6	to move forward.
7	COMMISSIONER NORRIS: Are there any issues unique to
8	nuclear facilities that we should be paying attention to on
9	interoperability standards?
10	MR. SKEEN: On the smart grid you're talking
11	about?
12	As far as the smart grid goes, they
13	don't directly impact nuclear power plants.
14	The smart grid is designed to make a more
15	efficient use of electricity for consumers and
16	industry, but as far as a nuclear power plant goes
17	we have no communication with any of our safety
18	related devices with the Internet, so there is no
19	incoming communication we only have communications
20	outward from our safety systems for indication
21	purposes or something like that.
22	So, what we would see if there was a smart

1 conferences as well that folks really know that we

grid event the most nuclear power plant would	
probably see, it would look like a loss of load	
event, it would trip the unit off.	
If there was some kind of event that would	

5 cause a loss of load for the plant.

1

2

3

- 6 Having said that, not having a reliable
- 7 grid if that comes to pass, that could be a concern
- 8 for our nuclear plants, but today we don't see that yet
- 9 and I think part of what the NIST panel is trying to
- 10 come up with on the standards is how do we ensure
- 11 that that continues to take place, that we can
- 12 protect the grid from having the convenience of
- 13 having smart grid and having the communications
- 14 without having the problems or the potential bad
- 15 effects of tripping the plants off line.
- 16 COMMISSIONER SVINICKI: Thank you.
- 17 I might just follow on Mr. Skeen -- to your
- 18 response to Commissioner Norris on that, though.
- 19 NRC's involvement or representation on the
- 20 NIST smart grid panel it is important for
- 21 reliability issues, as you mentioned there, but
- 22 also would you agree -- we are looking at what I

- 1 will call a system architecture that you described,
- 2 although nuclear power plants might not have a real
- 3 direct nexus with smart grid architecture.
- 4 Still and all maybe even principally also
- 5 from a cyber security standpoint, we kind of need
- 6 to know the overall system architecture so that we
- 7 can be assured as a nuclear safety regulator that
- 8 we are looking at issues of what is the
- 9 conductivity of systems that are important to
- 10 safety at a nuclear plant.
- 11 So again, maybe I feel that I am very
- 12 pleased the NRC has the opportunity to have a
- 13 representative on the smart grid panel, though we
- 14 might not be the most vocal participant in the room
- 15 I think it is important that we be in the room.
- 16 MR. SKEEN: I think you're exactly right
- 17 Commissioner.
- 18 That was one of the reasons we wanted to
- 19 make sure we had someone from NRC involved in this
- 20 panel as the reliability standards are being
- 21 developed.
- 22 It's actually someone from our Nuclear Security

- 1 and Incident Response group that's on that.
- 2 Cyber security piece is a very big piece of 3 why we are having our involvement in that panel. 4 COMMISSIONER SVINICKI: Thank you for that, I just 5 wanted to make sure that we got that onto the record. 6 Then, Mr. Skeen you mentioned that one of 7 the coordination activities that was an outgrowth 8 of the 2008 joint meeting of the two Commissions 9 was that there was a discussion, or I think you 10 said NRC shared experiences with FERC on 11 enforcement. 12 What was the general outcome of that evaluation? 13 14 Was it a comparison of enforcement 15 processes, or penalty levels, or remind me of what 16 was the basis of that and what was the result of 17 that comparison or sharing of experiences. 18 MR. SKEEN: I'm probably not the best one to 19 answer this question since I'm not involved with our 20 enforcement group, but my understanding was we shared how we 21 do enforcement actions with FERC because they were looking 22 into getting more into the act of taking enforcement for
1 grid issues.

2 So we shared how we do business, they were

3 pleased to hear what we did and we heard some from

4 their side of how they do business, and both sides

5 said they had a better understanding of how the

6 enforcement takes place.

7 MR. BOWMAN: Greg Bowman, Office of Enforcement. Just to echo

8 what Dave said, we really just went and shared our enforcement process with

9 FERC and that was pretty much the extent of our meeting with

10 them.

11 COMMISSIONER SVINICKI: Is that a continuing

12 coordination, or was it just the information was shared and

13 it's not an ongoing activity?

14 MR. BOWMAN: I'm not sure that we have ongoing --

15 we share, as Dave mentioned, if there's a discretion issue

16 that are going on.

17 We do interact with FERC from that

18 standpoint, I don't know that we have any ongoing

19 sharing of enforcement knowledge.

20 We have the MOU for cyber security that is

21 in place.

22 COMMISSIONER MOELLER: I believe that part of the context

1	was that you at the NRC have had a long, long standing				
2	tradition of being an enforcement agency.				
3	We really became a major league enforcement				
4	agency with the passage of the 2005 Act, and we				
5	thought we had things we could learn from you in				
6	terms of how to do it right and I think it was a				
7	productive effort and that we should probably have				
8	done a better job of thanking the NRC for giving us				
9	their knowledge base.				
10	So thank you.				
11	COMMISSIONER SVINICKI: Thank you for that.				
12	I was not trying to solicit that, I assure				
13	you.				
14	I have one question and this may be more				
15	succinctly put to the next panel because they can				
16	talk about it in cyber security space, but we are				
17	coordinating well as two Commissions and with NERC,				
18	but would either of the Daves have a perspective on				
19	for our regulated entities, what do				
20	you think is their sense of how				
21	clear it is whose jurisdiction starts and stops				
22	where, and what do you think would be the regulated				

- 1 community's perspective on how seamless the
- 2 coordination is on these issues we're discussing
- 3 today?
- 4 MR. SKEEN: You're right, it is a better question
- 5 for the next panel.
- 6 I will say that starting off.
- 7 Clearly, I think the regulated community
- 8 they may not be completely clear on whose
- 9 jurisdiction is each component that we are looking
- 10 at in the plants, and we're going to work through
- 11 that.
- 12 I think you will hear more in the
- 13 presentations in the next panel of how they are
- 14 doing that.
- 15 MR. ANDREJCAK: I would add there's been a lot of
- 16 efforts taking place across government, the smart grid task force
- 17 is one I participate on.
- 18 There's been a lot of activity in trying to
- 19 coordinate efforts.
- 20 It is a clear message coming out from us as
- 21 far as what will be expected.
- Is it totally clear at this point, I don't

1	think so because folks are still trying to get a				
2	better understanding of what the smart grid will				
3	entail, what cyber will entail.				
4	What I will say from what we have seen from				
5	the reliability aspect, the biggest threat to				
6	reliability is non-compliance with the standards.				
7	We want to make sure that we have very				
8	strong standards in place and I'm sure the next				
9	panel will be glad to talk about those standards.				
10	COMMISSIONER SVINICKI: Okay, thank you.				
11	Thank you, Mr. Chairman.				
12	MR. MALLETT: I would like to add if I may, what I				
13	am hearing from the regulated community, at least the				
14	nuclear power reactor community, is that they would prefer				
15	to have one regulator and not have multiple regulators.				
16	Given, if they can't have that, at least				
17	they would like us to have one set of standards				
18	that we all rely upon and are equivalent.				
19	I think that is the area we are focusing on				
20	is to make sure we have one set of standards and				
21	that reliability doesn't trump safety in the				
22	operation of these plants.				

1	COMMISSIONER SVINICKI: Okay, well you have teed					
2	that up well for your cyber colleagues, thank you.					
3	CHAIRMAN JACZKO: If I could just turn back to					
4	smart grid.					
5	First of all, I think I certainly think					
6	as Chairman Wellinghoff said there may be some					
7	value in the report that you produce and perhaps in					
8	the interest of trying to take advantage of the					
9	goodwill in our sharing information with you about					
10	0 our enforcement, perhaps I could solicit an offer					
11	1 to have you share your report on reliability that					
12	2 may be something that is useful to us.					
13	It may be easier than the process we're					
14	going through now to generate some of that					
15	information ourselves.					
16	Perhaps that is something we could do and					
17	we can certainly share with you the kinds of things					
18	that we're producing daily.					
19	It is not tremendous and terribly					
20	sophisticated, it is more an outgrowth of the					
21	meetings that we have had in an attempt to have us					
22	2 have better awareness of the reliabilities and					

- 1 again the potential impact that that may have on
- 2 plant safety.
- 3 For instance, if there is activity going on
- 4 with a transmission system that may lead to an
- 5 alert in a particular area and the plant is
- 6 planning to do some risk sensitive maintenance that
- 7 may be something we would work with our licensees
- 8 to see if that is something they could reschedule
- 9 given the compounding risk significance of the
- 10 potential for transmission or reliability transient
- 11 and then something having because of the maintenance
- 12 activity.
- 13 I think that maybe something that could be
- 14 useful to you as well to see that.
- 15 On the issue of the smart grid, this is
- 16 perhaps a simple question, but is one of the
- 17 goals -- or potentially one of the outcomes of the
- 18 smart grid increased reliability, potentially better
- 19 management of load, or is it the potential for
- 20 reduced reliability, or do people not know yet?
- 21 MR. ANDREJCAK: Smart grid, I think, at this point
- 22 it is best described as everything in its best realm for

1 everybody.

- 2 It's improved communication to make maximum
- 3 efficiencies at the lowest cost.
- 4 I know that sounds like a lot of buzzwords
- 5 but really that is what you are hearing right now.
- 6 There is so much potential for what the
- 7 smart grid can do for real-time operations, it is
- 8 really limitless.
- 9 And if you think about all the magical
- 10 things that take place on the grid regarding an
- 11 instantaneous delivery of power, in lieu of firing
- 12 up an additional generator somewhere if you can control
- 13 things that are basically unknown to the consumer
- 14 like defrost cycle on the freezer,
- 15 if you can not have a conglomeration of
- 16 those running at one time to reduce power output at
- 17 a plant somewhere, your overall effect the cost
- 18 benefit for the consumer.
- 19 There is really whole lot of conglomeration
- 20 going in, but it also opens yourself up to threats,
- 21 too because you can have an enemy that's subversive to
- 22 the country that looks at turning all of those on

1 at one-time which could have a negative effect.

2 That is part of the cyber security things,

3 again, we have to really get down, very strongly

4 before we proceed.

5 CHAIRMAN JACZKO: You could have the potential to 6 manage load rather than having to deal with the generation 7 side, you can deal with the demand side and reduce defrost 8 cycles on refrigerators rather than having to power 9 down a coal unit.

10 MR. ANDREJCAK: By sending signals as well, things

11 that benefit the consumer.

12 CHAIRMAN JACZKO: I appreciate that.

13 Dave if I could just ask you -- Dave

14 Skeen -- sorry, a general question as well.

15 I remember one of the first public meetings

16 we had as joint Commissions, the focus at the

17 time for the NRC was improving our awareness of

18 reliability and we had a meeting prior to the

19 coming summer 2006 and one of the things were

20 focusing on was the work we were doing to put in

21 place some new, I think we had a temporary

22 structure or some inspection mechanism to really

3	for grid instabilities that could have an impact
4	on their safe operations.
5	Where would you say that we are today
6	relative to where we were back in 2006 in our
7	licensees awareness of these issues?
8	MR. SKEEN: That's a good question and you're
9	right, we did do a every instruction at that time, that has
10	now become a permanent inspection procedure, it is called

see that our licensees were preparing themselves

for the summer months and the increased potential

- 11 the adverse weather procedure that we have.
- 12 That is done every spring by our inspectors
- 13 and it's an inspection that we look at the
- 14 power plant to say are you ready for the coming
- 15 summer months, have done the things that you're
- 16 supposed to do to be ready.
- 17 That has worked out very well.
- 18 We've seen that have really good effects in
- 19 the industry.

1

- 20 MR. ANDREJCAK: I might add to that, we do have a
- 21 reliability standard in place T0P001-1 R7 and requires
- 22 generators to coordinate with transmission operators in the

event they do have a plant that is coming up for scheduled
maintenance so it doesn't adversely affect the operation of
the grid.
CHAIRMAN JACZKO: Again, thanks for a very
interesting information and we will turn to our last panel

6 on cyber security.

7 MR. MALLETT: The last panel, as we talked before,

8 is going to discuss cyber security activities.

9 This is another area where we have had

10 tremendous cooperation efforts and activities since

11 we last met in 2008.

12 Our speakers, again, are experts but we

13 don't have any David's on this panel.

14 Our first speaker will be Mr. Gerry Cauley,

15 President and Chief Executive Officer of the North

16 American Electric Reliability Corporation.

17 Followed by Regis Binder, the Federal

18 Energy Regulatory Commission.

19 Last will be Scott Morris a Deputy Division

20 Director in our Office of Nuclear Security and

21 Incident Response in the Nuclear Regulatory

22 Commission.

- 1 Gerry, please take it away.
- 2 MR. CAULEY: Thank you.
- 3 Chairman Jaczko, Chairman Wellinghoff, and
- 4 distinguished Commissioners my name is Gerry
- 5 Cauley, I am pleased to be speaking with you today
- 6 on a subject of paramount importance to all of us.
- 7 The cyber security of our nation's
- 8 bulk-power system.
- 9 Although I've only recently been appointed
- 10 as NERC's President, my involvement in physical and
- 11 cyber security extends back approximately a decade.
- 12 In that time, I've developed a deep
- 13 appreciation for the complexity and unique
- 14 challenges of protecting our nation's electricity
- 15 infrastructure.
- 16 NERC has several important responsibilities
- 17 in meeting these challenges and what I would like
- 18 to touch on today is just a few of those examples.
- 19 Second slide, please.
- 20 The areas I touch on today include our
- 21 overall mission and vision for ensuring that there
- 22 is adequate protection of and mitigation of risk to

- 1 the bulk-power system.
- 2 Our action plan for identifying and
- 3 prioritizing assets the most critical to be
- 4 protected.
- 5 A new critical infrastructure protection
- 6 policy that clarifies roles, responsibilities, and
- 7 objectives.
- 8 Our next steps in addressing the well-known
- 9 Aurora vulnerability.
- 10 Our plan for implementing the NRC/NERC
- 11 agreement regarding oversight of cyber security at
- 12 nuclear power plants.
- 13 Next slide.
- 14 In terms of our overall vision, it is to
- 15 improve the reliability of the bulk-power system by
- 16 fostering a culture of continuous learning and
- 17 improvement by industry.
- 18 We also have roles as the self regulatory
- 19 organization in promoting compliance excellence and
- 20 enforcing compliance with our mandatory standards.
- 21 A key element of our vision is establishing
- 22 policy level goals for the physical and cyber

- 85
- 1 security protection of our critical bulk-power
- 2 system assets.
- 3 These security goals include facilitating
- 4 proactive industry actions for the effective
- 5 mitigation of security risks, establishing bright
- 6 line criteria for identifying and prioritizing
- 7 critical assets, working closely with government to
- 8 ensure availability of actionable information on security
- 9 threats, and promoting synergies between government
- 10 and industry.
- 11 We will be continuing to engage in incident
- 12 reporting, analysis, and feedback to the industry
- 13 and communicating our collective industry efforts
- 14 to government and the public.
- 15 Next slide.
- 16 NERC has recently completed its third
- 17 biannual survey of the industry's identification of
- 18 critical cyber assets.
- 19 The results of the first two surveys were
- 20 reported to FERC as will be the latest survey which
- 21 was just completed in January, as soon as the data
- 22 has been analyzed.

1	We see improvements in the data, but need			
2	to continue working with industry to achieve a			
3	fuller understanding of the types of threats facing			
4	the bulk-power system.			
5	We are now actively working on a revised			
6	draft standard for the prioritization of critical			
7	cyber assets into high, medium, and lower impact			
8	categories.			
9	This ranking will be used to determine how			
10	our future security requirements will be applied to			
11	the bulk-power system.			
12	This approach aligns well with our strategy			
13	of effective risk management.			
14	The goal is to prioritize protection of			
15	cyber systems based on potential impacts to			
16	reliability, operability, and recoverability of the			
17	bulk-power system and to apply security controls to			
18	make sure that these potential impacts are			
19	addressed.			
20	Next slide.			
21	NERC has drafted a bulk-power system			
22	critical infrastructure protection policy statement			

- 1 that will set forth guidance on critical
- 2 infrastructure protection, threat detection, and
- 3 response, system resilience, and restoration
- 4 and recovery operations.
- 5 We expect this policy will be approved by
- 6 our board later this year following a comment
- 7 period by industry.
- 8 Next slide.
- 9 Turning to Aurora, in June of 2007, the
- 10 NERC electricity sector information sharing and
- 11 analysis center issued an advisory informing the
- 12 electricity sector entities of a potential
- 13 vulnerability known as Aurora.
- 14 Which if exploited, could result in
- 15 physical damage to certain power system equipment.
- 16 Based on information available at the time,
- 17 we believe that entities implemented mitigation
- 18 measures that they considered to be appropriate.
- 19 Yesterday, NERC issued a new advisory to
- 20 all NERC registered entities providing additional
- 21 engineering details regarding both the nature of
- 22 Aurora and effective actions to enhance mitigation.

1	We believe this approach of translating					
2	classified information from government sources into					
3	unclassified but protected information that is					
4	actionable by industry, is a good precedent going					
5	forward and a positive example of industry and					
6	government working together on a vital issue.					
7	Turning finally to the NRC NERC MOU.					
8	In December 2009, as the Chairman					
9	mentioned, NERC and the NRC signed an agreement					
10	regarding the oversight of cyber security at					
11	nuclear power plants.					
12	This agreement, which was the result of					
13	very careful and thoughtful discussion by our two					
14	organizations, clarifies that the NRC is					
15	responsible for inspecting digital assets that can					
16	affect safety, security, and emergency preparedness					
17	at nuclear plants and enforcing applicable NRC					
18	cyber security standards.					
19	The agreement also recognizes that NERC is					
20	responsible for inspecting assets that can affect					
21	the continuity of bulk-power supply and enforcing					
22	compliance with our cyber security standards.					

1	NERC is currently working to develop a				
2	survey instrument for licensees to determine which				
3	systems and components within the plant should be				
4	excluded from the NERC critical infrastructure				
5	protection requirements on this basis.				
6	We are rolling out that plan through a				
7	series of industry workshops coming up.				
8	8 I will point out there are some members of				
9	the team that are working on this project to get				
10	the bright line demarcation within the plants, are				
11	1 here in the room today.				
12	Thank you and I will look forward to your				
13	questions.				
14	MR. BINDER: Good afternoon Chairman and				
15	Commissioners, my name is Regis Binder, I am with the Office				
16	of Electric Reliability at FERC.				
17	Since the last joint meeting of the NRC and				
18	FERC, much progress has been made in the compliance,				
19	and monitoring, and enforcement of critical				
20	infrastructure protection especially cyber security				
21	standards on the bulk-power system, but much work				
22	remains to be done.				

1	Today, I would like to give you an update				
2	on technical feasibility exceptions, critical asset				
3	determinations, cyber security standards in nuclear				
4	power plants, which I thought you might be interested in				
5	and FERC's request to Congress for additional				
6	authority.				
7	Next slide, please.				
8	The concept of technical feasibility				
9	exceptions was authorized by FERC in Order				
10	#706 in January 2008, when the Commission approved				
11	the first mandatory cyber security standards for				
12	the bulk-power system.				
13	The exceptions allowed the Commission to				
14	require security measures even though some				
15	companies had equipment that could not comply.				
16	These companies would be able to obtain				
17	exceptions but with conditions attached.				
18	Next slide, please.				
19	For example, companies with exceptions				
20	would have to use mitigating measures to address				
21	the vulnerability, they would have to develop a				
22	plan for terminating the exception, and they would				

- 1 have to prove the need for the exception during an
- 2 audit process.
- 3 Next slide, please.
- 4 The mechanism to implement technical
- 5 feasibility exceptions was approved by the
- 6 Commission on January 21, 2010.
- 7 With the compliance required to
- 8 address some Commission concerns.
- 9 Next slide, please.
- 10 Identification of critical assets as
- 11 required by the cyber security standards has
- 12 developed into an area of widespread concern.
- 13 The standards require companies to use a
- 14 risk-based methodology to identify critical assets,
- 15 such as generating plants for substations.
- 16 And to protect critical cyber assets that
- 17 are essential to the reliable operation of those
- 18 critical assets.
- 19 So, the identification of the critical
- 20 assets themselves, the generators and substations,
- 21 that drives which critical assets fall under the
- 22 mandatory protection of the cyber security

- 1 standards.
- 2 Next slide, please.
- 3 The standard's drafting team formed by NERC
- 4 to implement Order 706, has been working to propose
- 5 changes to the cyber security standards that would
- 6 require proper protection of the appropriate cyber
- 7 assets.
- 8 NERC recently posted a partial draft of
- 9 that standard, which CIP-002 Version 4, for public
- 10 comment.
- 11 As Mr. Cauley mentioned, the posted
- 12 standard would incorporate three levels of impact
- 13 high, medium, or low and would require companies to
- 14 protect all cyber systems that have the potential
- 15 to adversely impact functions critical to the
- 16 reliability of the bulk-power system.
- 17 Such functions would include under
- 18 and over frequency protection, balancing load and
- 19 generation, and controlling frequency and voltage.
- 20 The amount of cyber protection required for
- 21 any given cyber system would depend on the
- 22 potential impact that it and the bulk-power

- 1 facility that it controls could have unreliability.
- 2 Next slide please.
- 3 At the April 2008 joint NRC/FERC meeting,
- 4 the application of cyber security standards in
- 5 nuclear power stations was raised by the NRC staff.
- 6 Since that time, steps have been taken to
- 7 address this issue, although work still remains to
- 8 be completed.
- 9 In March of 2009, FERC issued Order number
- 10 706(b) which stated that the balance of plant
- 11 portion of a nuclear power station was subject to
- 12 cyber secure standards enforced by NERC with FERC
- 13 oversight.
- 14 However, plant owners could request
- 15 exceptions for specific equipment if it were under
- 16 the cyber security regulations of the NRC.
- 17 Since that time, NERC and the NRC staffs
- 18 have completed a Memorandum of Understanding
- 19 establishing a framework for cooperation on cyber
- 20 security in nuclear power stations.
- 21 Some issues, such as details of the
- 22 exception process remained to be finalized, but I

- 1 think a lot of work -- good work has been done so
- 2 far and I would especially like to express
- 3 appreciation to the NRC staff for the assistance
- 4 they have provided to NERC in this effort.
- 5 Next slide, please.
- 6 On several occasions FERC staff has
- 7 testified before members of Congress about
- 8 shortcomings of the current method used by industry
- 9 to develop new and modified reliability standards
- 10 when addressing emergencies or matters of national
- 11 security.
- 12 There are three specific concerns expressed
- 13 by FERC staff.
- 14 Number one, the methodology takes a long
- 15 time.
- 16 The process includes defining the scope of
- 17 the issue to be addressed, forming a drafting team
- 18 of volunteers, drafting a standard, posting the
- 19 draft for comments, and addressing all comments
- 20 submitted, conducting usually multiple ballots and
- 21 obtaining NERC board approval.
- 22 Number two, the methodology is open to the

- 1 public.
- 2 While this is appropriate for most
- 3 reliability issues, it is a problem with matters of
- 4 national security.
- 5 Certain sensitive information should not be
- 6 discussed in public before it is addressed in such
- 7 a way as to close the vulnerability to national
- 8 security.
- 9 Number three, the outcome is uncertain.
- 10 The drafting and balloting process may run
- 11 its course and not result in a draft that
- 12 adequately addresses the problem.
- 13 Neither NERC nor FERC have control over the
- 14 resulting proposed draft.
- 15 The Commission can remand an inadequate
- 16 proposal, but it cannot rewrite the proposal to
- 17 address a concern.
- 18 NERC has developed an emergency action
- 19 process that partially addresses some of these
- 20 concerns.
- 21 In summary, I would like to just say that
- 22 NERC, the electric industry, and FERC have made

- 1 progress on cyber security standards, but much work
- 2 remains to be done.
- 3 If the approach incorporated in the
- 4 recently posted CIP standards for identifying
- 5 critical assets were adopted, it would result in
- 6 significant changes and modifications to the other
- 7 standards as well.
- 8 Thank you for your attention.
- 9 MR. MORRIS: Thank you Mr. Chairman, Chairman
- 10 Jaczko, and Chairman Wellinghoff, Commissioners.
- 11 I appreciate the opportunity to be before
- 12 you again today.
- 13 I had the opportunity two years ago or so
- 14 when we last met.
- 15 I would like to give you today just a brief
- 16 overview of the activities we have been involved in
- 17 here at the NRC with respect to cyber security.
- 18 You may recall at the last meeting the NRC
- 19 had proposed a series, a set of regulations for
- 20 cyber security.
- 21 I'm pleased to report now that that
- 22 regulation has been finalized, it was published

- 1 last spring and I will touch on that in a little
- 2 bit more detail here in a subsequent slide.
- 3 Next slide, please.
- 4 slide two.
- 5 Quickly, want to talk about today the new
- 6 regulations that I just mentioned, the guidance
- 7 that went along with it, those are both activities
- 8 that have been completed.
- 9 I would also spend a minute or two talking
- 10 about where we are with respect to individual plans
- 11 that have been submitted by individual licensees or
- 12 nuclear power plant sites, and the associate
- 13 schedule upon which they will be implementing their
- 14 plans and be fully in compliance with our new
- 15 requirements.
- 16 That is an ongoing activity as we speak.
- 17 Looking forward we are just at the
- 18 beginning of developing our oversight programs that
- 19 will have our inspection -- inspectors in the field
- 20 looking at how each licensee has implemented the
- 21 rules and the provisions of the security plans that
- 22 we are in the midst of reviewing now, and then I

- 1 will touch briefly on some NRC perspectives on the
- 2 development of the NERC MOU and a few other items.
- 3 Next slide, please.
- 4 With respect to the new regulations, I
- 5 mentioned that they were finalized in March after
- 6 being noticed in the Federal Register for 60 days
- 7 they became effective.
- 8 The key element and you may know this, you
- 9 may not.
- 10 It is a very performance-based rule. The
- 11 ultimate performance objective of the rule is to
- 12 ensure that our licensees are to be able to protect
- 13 against adversary characteristics defined in what
- 14 we call the design basis threat with high
- 15 assurance.
- 16 The design basis threat is itself a
- 17 separate rule that the NRC revised in 2007 that
- 18 included in it for the first time in 2007 cyber
- 19 attack, as something that our licensees have to be
- 20 able to defend against with high assurance.
- 21 Again, it's a performance standard that
- 22 ultimately the cyber security program that our

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- 1 licensees implement have to be able to achieve.
- 2 As a consequence when you look at the rules
- 3 that we just issued last spring, it defines within
- 4 its scope the protection of systems associated with
- 5 nuclear safety, nuclear security and emergency
- 6 response.
- 7 Digital assets, I should say, associated
- 8 with those three functions.
- 9 A key element of the rule include defense
- 10 in depth, it is simply not good enough to have one
- 11 barrier to an attack we require, by regulation,
- 12 multiple barriers.
- 13 In addition, the application of a
- 14 comprehensive set of security controls, I will
- 15 speak about that briefly in another slide or two.
- 16 And finally, the rule required that each
- 17 licensee submit to the NRC a comprehensive cyber
- 18 security plan for how they will establish and
- 19 maintain a cyber security program to be able to
- 20 defend against the design basis threat of cyber
- 21 attack.
- 22 Finally, the rule required rather than

1	specify a specific deadline by which they had
2	each licensee had to be in compliance with those
3	regulations, rather required each licensee to
4	submit the NRC for approval an implementation
5	schedule that each licensee would be in compliance
6	with the rule.
7	Next slide, please.
8	The regulatory guidance documents that are
9	a companion to the regulation has also been
10	completed.
11	The rule, itself, is very programmatic in
12	noturo
12	nature.
13	The details of how best or how the
13 14	The details of how best or how the NRC one way that the NRC would like to see the
13 14 15	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high
12 13 14 15 16	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance
12 13 14 15 16 17	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance document which was issued just a few months ago.
12 13 14 15 16 17 18	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance document which was issued just a few months ago. A couple of things that I will point out
12 13 14 15 16 17 18 19	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance document which was issued just a few months ago. A couple of things that I will point out about the regulatory guide, it's a document that
12 13 14 15 16 17 18 19 20	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance document which was issued just a few months ago. A couple of things that I will point out about the regulatory guide, it's a document that was developed over the course of a few years in
12 13 14 15 16 17 18 19 20 21	The details of how best or how the NRC one way that the NRC would like to see the rule implemented is specified in some fairly high degree of detail in our regulatory guidance document which was issued just a few months ago. A couple of things that I will point out about the regulatory guide, it's a document that was developed over the course of a few years in close collaboration with a lot of stakeholders not

- 1 organizations that have cyber security
- 2 in their portfolio of expertise.
- 3 In particular the regulatory guide includes
- 4 a set of security controls that have been adapted
- 5 from the National Institute of Standards and
- 6 Technology, special publications that are focused
- 7 on cyber security not only for information
- 8 technology systems but also industrial control
- 9 process control systems.
- 10 So, our Reg. Guide consistent with what
- 11 NIST would suggest adapts those NIST controls for
- 12 the particular use of the nuclear industry.
- 13 Those are all in the Reg. Guide now.
- 14 In addition, the regulatory guide includes
- 15 a template of what a generic cyber security plan as
- 16 an aid to our licensees, or applicants for new
- 17 nuclear reactors as they develop the licensing
- 18 document that they need to submit to the NRC for
- 19 approval.
- 20 Finally, I would just offer one other
- 21 comment on the control set themselves, and that is
- 22 that the NIST controls that we utilized that form

- 1 the basis for the Control Set in the Reg. Guide, are
- 2 out there and address the known universe of threats
- 3 and vulnerabilities as they know them today.
- 4 So, those things evolve over time.
- 5 and our regulatory guidance will also
- 6 necessarily have to evolve over time.
- 7 But it's also why the rule is
- 8 performance-based because we can't keep up with the
- 9 regulations as quickly as the threats and
- 10 vulnerabilities in this particular region.
- 11 Next slide, please.
- 12 Just a bit more on the site-specific plans
- 13 that I mentioned, the rule required that each
- 14 licensee submit the rule actually required the
- 15 licensees submit them by November of last year
- 16 which, in fact, did occur.
- 17 We received plans from all 65 sites that
- 18 are unique to each -- the particulars of each site.
- 19 We are very much in the throes of
- 20 conducting our detailed licensing reviews of those
- 21 documents with an objective of completing all of
- 22 those reviews on or before October of this year.
- 23 Once completed and we've approved them,

- 1 they will be incorporated as a condition of the
- 2 operating license for each facility which will make
- 3 them enforceable.
- 4 The provisions of those plans will be fully
- 5 enforceable, and I would just point out that that's
- 6 entirely consistent with how we regulate physical security as well.
- 7 Physical security plans are also a condition of their operating license.
- 8 Next slide.
- 9 Implementation schedules, I mentioned that
- 10 we didn't specify a hard and fast date by which all
- 11 licensees had to be in compliance.
- 12 The principal reason for that -- there are
- 13 a number of factors.
- 14 First and foremost, the number of digital
- 15 assets that are present at each nuclear site is
- 16 highly variable.
- 17 In fact, many licensees now are just
- 18 beginning to retrofit some of the more significant
- 19 frontline safety systems and operational control
- 20 systems with new digital assets.
- 21 We gave the opportunity to the licensees to
- tell us how much time based on the scope of systems
- 23 at their site how much time it would take them to

	1	do the jol	o right.
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2	We're more	interested in	aettina	it done

3 right than fast.

- 4 That being said, the dates that we got back
- 5 were sort of all over the map so we are interacting
- 6 now, as part of a licensing reviews, to understand
- 7 why the licensees submitted some of the dates that
- 8 they did so we can ensure ourselves that the dates
- 9 that they are offering us are reasonable because we
- 10 don't want any undue delays either.
- 11 There other factors, depends on the
- 12 protective strategy that they elect to employ.
- 13 It depends on certain schedules for refueling outages.
- 14 There is a variety of factors that
- 15 influence the ultimate implementation date.
- 16 Next slide, please.
- 17 Looking forward a bit, we are only now at
- 18 the beginning stages of developing what our
- 19 comprehensive oversight program will look like in
- 20 cyber security.
- 21 Some early thoughts are that we would
- 22 likely conduct some sort of a programmatic
- 23 inspection to sort of as an initial inspection to

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1	verify that each licensee in fact did establish an
2	appropriate program consistent with the plan that
3	we approve, but then moving forward it will be much
4	more risk informed performance-based.
5	We will be looking for problems and
6	licensee performance deficiencies and focus our
7	inspections in those areas.
8	I will say that we won't do this in a silo,
9	broad stakeholder input will be obtained in the
10	development of our oversight process.
11	It is likely that we will pilot some of
12	these inspections and sort of try it out and try
13	to learn some lessons early on before we implement
14	it nationwide.
15	Key interest to this panel is our
16	interactions with NERC going forward in this area
17	as they finalize, as their registered entities
18	including the nuclear power plants incorporate
19	the requirements of the NERC CIPs into their sites
20	and that the NERC begins to go do spot checks and
21	later audits.
22	I will speak to that just briefly on the
23	MOU slide in just a minute.

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1	Again, just to reiterate what Regis said or
2	perhaps Gerry said, that the NRC's focus is on
3	safety, security, and emergency preparedness
4	digital assets associated with nuclear safety and
5	security and emergency preparedness, while clearly NERC and
6	FERC are concerned about reliability.
7	But there is an overlap there and it is one
8	that we recognize and it is one that the MOU
9	through successful implementation will help us
10	address.
11	So, on slide 8, the next slide, the MOU was
12	published earlier this year.
13	Just to echo the sentiments of my
14	colleagues here the process that we went through to
15	get that document done was very collaborative, very
16	effective.
17	We forged some new relationships, new
18	understandings, and I think we've built a solid
19	foundation for a strong working relationship going
20	forward.
21	Gerry I think, mentioned the workshops that
22	are coming up in late April and in early May, there

1 are four of them currently scheduled.

2	NERC went the extra mile to have four, one
3	in each NRC region to enable more participation by
4	not only our inspectors but also the plants in each
5	of those regions which is a good thing.
6	The focus of those workshops, and the NRC
7	staff will participate, will be to explain the provisions
8	of the MOU first and foremost, but also to begin
9	the work the very important work of
10	understanding what is the bright line, what are the
11	overlaps, what are the things that licensees should
12	focus on to try to get the exceptions that Mr.
13	Binder talked about through the process.
14	Finally, we will talk about how we intend
15	to coordinate our inspections, audits, spot check
16	activities going forward.
17	Clearly, information sharing is key to all
18	of those things, effective information sharing.
19	On my final slide, I will mention just a
20	couple of other things.
21	This is just a very, very short list of all
22	the things we are working on internally to the NRC

- 1 with respect to cyber.
- 2 First and foremost is monitoring the
- 3 threat.
- 4 We do that in a variety of ways, we have a
- 5 full-time threat analysis branch here at the NRC
- 6 and they look -- they're tuned to look for things
- 7 in the cyber realm as well as the physical realm.
- 8 We go beyond that, we interact with DHS
- 9 intelligence, the high track people, DHS, and a variety
- 10 of other stakeholders to keep abreast of the
- 11 changes to the threat environment.
- 12 Along those lines we participate in a wide
- 13 range of intergovernmental activities.
- 14 Not only with FERC but also with our
- 15 friends in the Department of Homeland Security and
- 16 the FBI and any number of other agencies and that
- 17 has all been very productive and we talk about
- 18 everything from industrial control system
- 19 protection to all kinds of things, integration,
- 20 incident response, etc..
- 21 It is an area that has been productive for
- 22 us and we intend to continue to do that.
- 1 We have stood up, within the last year, a
- 2 cyber assessment team.
- 3 This is a group of people who, in
- 4 response to newly identified threats or
- 5 vulnerabilities can quickly come together, assess
- 6 what the nature of that new threat or vulnerability
- 7 is, try to assess its impact on our licensees and
- 8 make a recommendation to NRC management on whether
- 9 or not we need to provide that information overtly
- 10 to our licensees or perhaps some other regulatory
- 11 action.
- 12 That's been very hopeful.
- 13 I know there's questions on smart grid and I will be
- 14 prepared to answer that, and Gerry mentioned some
- 15 issues on Aurora.
- 16 What I would say is that in response -- the
- 17 initial response to Aurora, the NRC and FERC and
- 18 others, DHS in particular, worked very closely to
- 19 identify mitigation strategies that are appropriate
- 20 for that issue, and I'm proud to say that the
- 21 nuclear sector, particularly the nuclear power
- 22 plants, did a very good job in my assessment of

- 1 following up on that information that we
- 2 provided and really stood up and implemented a
- 3 whole range of mitigation strategies to deal with
- 4 that, which we subsequently went out and verified
- 5 at a couple of sites.
- 6 I think from a nuclear standpoint the
- 7 nuclear power plants have postured themselves well
- 8 in response to Aurora.
- 9 I can't speak for the rest of the energy
- 10 sector, which is probably why the new information
- 11 notice but I will stop here and take your
- 12 questions.
- 13 Thank you.
- 14 CHAIRMAN WELLINGHOFF: Thank you, all of you, I
- 15 appreciate the presentations and, Mr. Morris, I was very
- 16 interested in your presentation learning more about what
- 17 you've done on the NRC side on cyber security.
- 18 So I can understand a little more of this
- 19 March 2009 Reg that the NRC issued, that applies
- 20 to all plants not just the new licensees?
- 21 MR. MORRIS: Yes, sir, that is correct.
- 22 The regulation is actually non-specific

- 1 with respect to the licensees that it pertains to.
- 2 It is actually written in a generic way,
- 3 such that it can be invoked by other regulations.
- 4 Currently, those cyber security regulations
- 5 are invoked through, for all light water reactors
- 6 that we license so that would include, not only
- 7 operating fleet, but any new reactors.
- 8 In fact, all of the combined operating
- 9 license applications that we have received today
- 10 have submitted cyber security plans
- 11 as part of their operating license application
- 12 and those are also under review in addition to the
- 13 operating plants.
- 14 CHAIRMAN WELLINGHOFF: So, tell me how that --
- 15 those Regs and their compliance with those Regs as I
- 16 understand it they have to come up with a compliance plan,
- 17 submit that to you, and that is under varying deadlines
- 18 depending upon the particular plant and their circumstances.
- 19 How does that relate to what you all did
- 20 with respect to Aurora?
- 21 MR. MORRIS: George, you may want to -- George
- 22 Wilson actually led the Aurora follow-up effort.

1	What I can say is that shortly after
2	September 11, 2001, the agency issued a number of
3	security related orders, another tool that we have
4	to impose requirements on our licensees.
5	We issued six or seven different orders to
6	nuclear power reactors on a variety of topics.
7	Two of which focus had elements of cyber
8	in them, the details of them were not publicly
9	available but what I can tell you is the licensee,
10	our licensees took those orders seriously, took a
11	number of actions that positioned them well to deal
12	with the Aurora issue when it came up.
13	CHAIRMAN WELLINGHOFF: And you are able to keep
14	that information secure in your communication to the
15	licensee?
16	MR. MORRIS: Right, absolutely.
17	We have even though they are owned,
18	almost all of them are private entities.
19	We have the ability to share sensitive
20	information with them and keep it protected.
21	It is not national security information

22 it's a special category set up.

1	CHAIRMAN WELLINGHOFF: That's what I'm trying to
2	understand, that information that you're transmitting
3	classified?
4	MR. MORRIS: It is not classified information.
5	CHAIRMAN JACZKO: We have our own statutory
6	definition of protected materials, it's called safeguards
7	information.
8	So, we have the ability to designate that
9	information and the access control and handling for
10	that is comparable in many ways to confidential
11	national security information.
12	We require specific requirements to access
13	that information.
14	MR. MORRIS: It's a special category of
15	sensitive but unclassified information.
16	CHAIRMAN WELLINGHOFF: Okay, so then, these plans
17	and the plans they are submitting to your ultimately, I
18	assume, they would have swept in things like Aurora, but
19	Aurora was an immediate threat so you had to act on it
20	pretty quickly.
21	MR. MORRIS: Right, and as I said, the measures
22	that licensees that our licensees had taken into response

1 to some of the other orders that we had issued had

2 positioned them --

3 Would you like to comment on that, George?

4 George actually owned that process and

5 actually had the opportunity to visit a few sites

6 to verify their actions.

7 MR. WILSON: The industry had DHS work with the 8 industry and the industry had implemented their own plans 9 so what we did is went in and did a independent assessment 10 or verification of what industry had performed including 11 looking at a programmatic review, how they did cyber and 12 also individually assessing systems to see if we could identify things that they had potentially missed. 13 14 As Scott said, we looked at two different 15 plants and then after that we made a summary review 16 and we actually shared it with FERC, NERC, and DHS. 17 Actually came here to the NRC and shared 18 our results, how we did the assessment, and went from 19 there. 20 We actually did an independent verification 21 of their actions that they had developed in 22 coordination with DHS and industry.

- 1 For those individual sites only, on-site
- 2 only, looked at them on sight, though.
- 3 CHAIRMAN WELLINGHOFF: Mr. Cauley, if I could go
- 4 to you.
- 5 Perhaps you could sort of compare and
- 6 contrast what the NRC did and was able to do on
- 7 Aurora and what NERC was able to do.
- 8 MR. CAULEY: I think what where we are getting to
- 9 now is pretty much what I'm hearing they had done.
- 10 I think the challenge we had the first time
- 11 around is -- the information at the time was
- 12 classified and getting it into enough of the right
- 13 hands in terms of management, executives, and the
- 14 technicians would implement the changes we were
- 15 challenged in getting the information out.
- 16 So it did get out, to some extent, but I
- 17 think instead of 100 plus units we are talking
- 18 thousands and thousands -- tens of thousands of
- 19 units and facilities that this impacts, and I think
- 20 our progress, as a result, my view is that we need
- to do more.
- 22 I think the perception is out there that we

- 1 need to do more, and probably your perception is we
- 2 need to do more.
- 3 So, that is the reason for this next round.
- 4 We were able to make a couple of
- 5 breakthroughs.
- 6 One is, we were able to work with the
- 7 intelligence agencies and workout versions of the
- 8 information sufficiently detailed that
- 9 practitioners in the field can understand what it
- 10 means and how to fix it, so that is a breakthrough
- 11 for us to get this much information out of this
- 12 many people in a nonclassified way.
- 13 The second thing that we've been able to
- 14 work out to your point of distributing it in a
- 15 secure fashion.
- 16 So we are using closed, secure portals that
- 17 we have access to, now all our registered entities
- 18 can get access to the information, but it is very
- 19 tightly controlled.
- 20 So, we are just getting to the
- 21 breakthroughs now where we can do this on a very
- 22 wide scale basis.

1	There are 3100 entities in North America
2	that operate electric facilities, so it's a massive
3	scale difference in terms of doing it this way.
4	I think we are in round 2 here, we're going
5	to get it where it needs to be.
6	CHAIRMAN WELLINGHOFF: Just so I understand a
7	little bit better this advisory that you just issued, you
8	just issued it yesterday?
9	MR. CAULEY: We issued it as a preliminary
10	advisory which is to put everybody on notice and give them
11	the information they need, we're encouraging them to begin
12	actions.
13	We are going to solicit are there any
14	clarifications on that that would be helpful to
15	them to understand it better, and we are going to
16	solicit remediation times for them to suggest
17	remediation times.
18	Once we see, I think as Scott was
19	mentioning, answers will come in and it will be all
20	over the map.
21	At some point we're going to draw a line
22	and say this is the hard remediation date set from

- 1 reporting requirements and follow-through in that
- 2 process.
- 3 We are looking to, at least at this point
- 4 without having seen the response data yet, my goal
- 5 to try to get this closure on this in this year, in
- 6 2010.
- 7 CHAIRMAN WELLINGHOFF: So, you are able to take
- 8 classified information and work with certain security
- 9 agencies and get an agreement as to the unclassified form of
- 10 that information; is that right?
- 11 MR. CAULEY: That is correct.
- 12 CHAIRMAN WELLINGHOFF: And then tell me more about
- 13 these secured portals of how you will transport that
- 14 particular information.
- 15 MR. CAULEY: We have portals -- secure systems
- 16 that we've built and put in place for compliance to manage
- 17 event analysis and root cause analysis, things that happen
- 18 on a system and also compliance data investigations.
- 19 We set those up through the regions, we
- 20 also have one of those at the NERC office and we
- 21 are now using that as a stepping stone mechanism.
- 22 In the near future we are going to have an

2 directing alerts to the appropriate people and 3 having the ability to load responses back to NERC. 4 It will be a more robust system. 5 CHAIRMAN WELLINGHOFF: Maybe then in a general 6 sense you can compare and contrast for me, Mr. Cauley, the 7 regulatory process that the NRC has gone through, and their overall requirements for cyber security in their 2009 rule 8 9 that they issued and the CIP standards that you administered 10 that we've approved with respect to cyber security. 11 If you could talk about those two and the 12 good and bad parts of them and what you would 13 ideally desire to see done on the NERC/FERC side. 14 MR. CAULEY: Really good question and really 15 complicated set of issues involved in that. 16 Our standards that have been in place for a 17 couple of years try to get at protections and 18 defense in depth layers that we would use to 19 protect control centers and other assets. 20 To some extent, they're prescriptive on all 21 the things we expect people to do, control access 22 and to control centers and those kinds of things,

alert system that is self-contained in terms of

1

- 1 training of staff.
- 2 The challenge is that, as a standard, they
- 3 are frozen in time.
- 4 You put it out there as a standard and
- 5 expect everybody to perform to that, but the
- 6 threats were evolving quickly and probably more so
- 7 in this area than any other area.
- 8 For that reason, I actually believe that
- 9 the track that Scott mentioned that the NRC is on
- 10 is a good one for us to evaluate and consider,
- 11 which is what is the end objective of the
- 12 protections, not listing the protection themselves,
- 13 but what are we trying to safeguard against?
- 14 What are the bad things that could happen
- 15 if somebody did come into your computers, or take
- 16 malicious acts on equipment, or control
- 17 communications and those kinds of things.
- 18 If we could get to a more results based or
- 19 performance outcome based approach, that would be
- 20 helpful because the threats are changing all the
- 21 time.
- 22 One additional point is their concept of

allowing the entity, the licensees to submit plans
on how they are going to meet the Regs is
particularly challenging for us.
I'm not sure we can do that, because one of
he challenges we have now is we have so many
entities and so many assets under our standards.
The number, as I mentioned earlier, the
scale is many times over the scale in terms of just the
numbers of equipment and entities involved.
I don't think we are going to be

- 11 comfortable allowing that kind of latitude, like
- 12 here's some goals and tell us what your plan is to
- 13 do that.

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- 14 I think we have to be a little bit more
- 15 deterministic on what our expected outcomes are.
- 16 I think there are pieces of that
- 17 performance results based concepts are good, but I
- 18 think we have got to tighten down our discretion -- our
- 19 leeway in terms of options about what people can do
- 20 and what they are expected to do.
- 21 I don't think we would be doing a similar
- 22 type of submit your plan to safeguard your

- 1 equipment.
- 2 CHAIRMAN WELLINGHOFF: Let me follow up on that
- 3 just a little bit.
- 4 As many of the licensees that they oversee
- 5 are also entities that may have assets under
- 6 NERC -- non-nuclear assets under NERC as well,
- 7 potentially.
- 8 To that extent, those entities, I would
- 9 think, could submit plans for review.
- 10 I'm a little troubled by the idea that we
- 11 have a results based, performance-based system but we
- 12 have no plans from them to look at as to how they
- 13 are going to get there.
- 14 How do you connect the two, I guess?
- 15 MR. CAULEY: I think it's possible in the nuclear
- 16 realm, I think that's possible because you have a very small
- 17 number of facilities and you have a very concentrated
- 18 amount of effort in safeguarding those because of the public
- 19 safety issues around that.
- 20 I think it becomes more challenging when
- 21 you look at the diversity of 3100 owners,
- 22 operators and users, and the diversity of hundreds

- 1 of thousands of substations and equipment and
- 2 control centers.
- 3 I don't think, necessarily, it is
- 4 manageable that we could have the same kind of
- 5 leeway and flexibility and show me the plan and I
- 6 will review the plan.
- 7 Simply reviewing the plan and doing the
- 8 verification of the rigorous efficiency of
- 9 those plans would be extremely voluminous work and
- 10 tracking that would be very very difficult.
- 11 Sorry, I can't answer any better.
- 12 CHAIRMAN WELLINGHOFF: Lead you back to more
- 13 prescriptive system, ultimately?
- 14 MR. CAULEY: That's the challenge and perhaps I'm
- 15 contradicting myself, but I think we do need to make sure
- 16 that our requirements are driven toward what outcomes do I
- 17 expect to see and I think we could measure those outcomes,
- 18 but I think the outcomes have to be more specific and
- 19 deterministic than what may be allowed in a nuclear plant
- 20 where you have specialized options or variability and
- 21 discretion that you could use on a case by case basis.
- 22 CHAIRMAN WELLINGHOFF: I don't want to take up any

1 more time.

- 2 Gentlemen, do you have any questions?
- 3 COMMISSIONER SPITZER: I've always been intrigued by the
- 4 variation in reactor design and I know there are economic
- 5 and engineering issues.
- 6 What security issues are there specifically
- 7 with regard to cyber security, if any, arising from
- 8 this variation in reactor design?
- 9 MR. MORRIS: Well, the current fleet of operating
- 10 reactors is -- most of them were designed many years
- 11 ago, constructed and have been operating for a long, long
- 12 time.
- 13 And when they were built, they didn't have a
- 14 lot, maybe any, digital software-based control
- 15 systems and that has obviously evolved over time.
- 16 To extent that new digital
- 17 technologies have been introduced into the current
- 18 fleet to the extent it's associated with the
- 19 safety related function of the facility, they get a
- 20 thorough evaluation not only for the safety -- the
- 21 ability to perform the safety function, but they
- 22 will also be captured in the scope of the cyber

1 security.

2	They were captured under the scope of the
3	orders we issued post 9/11 and are subsequently
4	part of the current rule.
5	The new reactors that Dave Matthews spoke
6	to in the first panel are probably going to be, if
7	not exclusively digital, almost exclusively digital
8	controls.
9	I have had our agency has done a number
10	of things to wrestle with the issues that arise
11	when you begin to talk about the application of
12	digital technologies and safety systems.
13	There's human factors issues, there are all
14	kinds of software, hardware implementation issues,
15	and cyber security is a piece of that discussion
16	and so one of the things we have done as an agency
17	is to set up an interoffice digital instrumentation
18	and control steering committee.
19	I'm a member of that committee as our some
20	executives in other parts of our agency, and we
21	continue to dialogue not only internally on how to
22	manage all of these issues, but also with the

1	industry as they struggle with how to implement our
2	requirements and how to get the most they can out
3	of these digital systems while to increase
4	reliability and production and all of that.
5	At the same time, meeting our stringent
6	safety requirements and security requirements.
7	There is a very I guess the short answer
8	is there is a very broad spectrum out there.
9	The older fleet the operating fleet, the
10	challenge in cyber security space isn't as large
11	simply because the scope of systems that fall
12	within the regulations for cyber, there just aren't
13	that many at this point in a relative way.
14	MR. MALLETT: Let me add to that, Scott.
15	I think fundamentally, any nuclear power
16	plant light water, you are trying to protect all
17	the design types against damage to the fuel and
18	you're also trying to protect the water to keep the
19	fuel cool.
20	When you get to the specific designs there
21	are some differences in the systems used to keep
22	the full fuel cool and there are differences in the

- 1 containment structure and so you do try to protect,
- 2 depending on the design, different methods or
- 3 systems to keep the fuel cool.
- 4 If that helps.
- 5 COMMISSIONER SPITZER: Okay, and to a more general question
- 6 on NIST, all three of you have discussed your dealings, what would
- 7 you take away from the most positive aspect so far of the
- 8 NIST process from your specific perspectives, and then what
- 9 recommendations would you have for improvement?
- 10 MR. MORRIS: I will go first.
- 11 NIST -- we try, particularly in this area,
- 12 to leverage the work of other entities as best we
- 13 can.
- 14 We try to learn from everything that is
- 15 going on in this arena and NIST is certainly a center
- 16 of excellence when it comes to this topic.
- 17 They have brought together a broad-base of
- 18 stakeholders that have come up with consensus
- 19 approaches for how to effectively manage cyber
- 20 security.
- 21 So, we took full advantage of that and they
- 22 are not that far from us so we have had a number of

- 1 interactions with them and the people who've
- 2 authored those documents.
- 3 One thing I would say that is good about
- 4 the NIST approach is that it does enable -- while I
- 5 said earlier, the security controls that they
- 6 provide in their document cover the known universe
- 7 of threats and vulnerabilities out there.
- 8 That doesn't mean that they all have to be
- 9 implemented.
- 10 Their processes is good in the sense that
- 11 it enables the end-user to tailor those things, and
- 12 NIST encourages this, to tailor those controls for the
- 13 unique purposes of whatever your enterprise.
- 14 We did the first order tailoring here at
- 15 NRC to say, okay, there is a set of controls that
- 16 NIST would recommend be implemented, but they simply
- 17 don't apply in our case so we did a first-order cut
- 18 on all of those controls and offered them up in our
- 19 Reg. Guide.
- 20 But the licensee, our
- 21 licensees are free to do a second order cut on, say
- 22 now that I've identified all the assets I need to

1	protect given this set of controls, which ones make
2	sense for my facility and why, the other part of it
3	is, we don't expect that every control will be
4	applied.
5	They're certainly going to be cases where a
6	a control might not be in the best interest of
7	safety, and in those cases safety trumps and that
8	control wouldn't be implemented.
9	From my perspective, the NIST process is
10	one that is well understood, it can be leveraged it
11	is comprehensive and it is flexible.
12	MR. BINDER: I just might make a few comments just
13	to be clear, we have talked about two different NIST
14	activities.
15	There is the NIST smart grid process, that
16	is not what we are going about now, we are talking
17	about FISMA their pre-existing NIST effort.
18	But I agree with Scott's characterization
19	of all the work that they've done and they are
20	
	experts in the field, and they have a very
21	experts in the field, and they have a very impressive framework, is how they describe it for
21 22	experts in the field, and they have a very impressive framework, is how they describe it for securing assets.

- 1 One of the things I like about it is
- 2 everything gets protected its just a matter of how
- 3 much it gets protected.
- 4 More important things get protected more,
- 5 but everything gets protected.
- 6 But because of the flexibility that that
- 7 gives it really emphasizes the enforcement
- 8 activity.
- 9 NIST doesn't do the enforcement activity
- 10 other parts of the government do that, but we talk
- 11 to those people and it is a very intense audit
- 12 process that they go through, they will send 20
- 13 people to audit one facility and they will take a
- 14 month to do it.
- 15 So, it's a very intense audit process and
- 16 that is really where the entity is determined to be
- 17 in compliance or not.
- 18 So, while it's got its pluses, it also
- 19 creates pressures elsewhere.
- 20 MR. CAULEY: NERC and its member entities and
- 21 registered entities are actively involved in the NIST
- 22 process, and I would echo the comments of Regis and Scott,

1	it provides an excellent framework and foundation, but to
2	take NIST standards and directly apply them to substations
3	and generators there's something lost in the translation.
4	What we do is try to take their security
5	controls, the concepts behind them, and the basis
6	for the requirements and say what applies in our
7	world and how do we translate our world into our
8	requirements.
9	We're probably not there yet in terms of

- 10 getting all of our standards aligned with the NIST
- 11 security control concepts, but that is an ideal for
- 12 us and that is a direction we're heading.

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- 13 I think the other value of NIST is that
- 14 there are many interdependencies in our business on
- 15 manufacturers, telecommunications companies, and
- 16 others, and by having a national effort and
- 17 essentially international standards setting effort that spans
- 18 manufacturing equipment providers and
- 19 telecommunications it actually helps us by getting
- 20 the understanding out there of what we need in terms
- 21 of inherit protections built into the
- 22 equipment that the vendors are delivering to us is

1 added value to us if nothing else.

2	COMMISSIONER SVINICKI: Sometimes the NRC
3	complains that we have 104 nuclear plants in this country
4	and they are all so different that it makes our regulation
5	of them complex, but sitting here, clearly the diversity of
6	facilities that FERC will have to encompass in its cyber
7	security activities, there is incredible diversity that adds
8	to the complexity of their job, but of course our focus for
9	our cooperation with FERC is on the nuclear power plants and
10	the cyber area, and Scott, you and I have had the chance to
11	talk as the MOA has developed.
12	FERC Order 706(b) really significantly
13	narrowed the exemption for nuclear power plants.
14	I think FERC going in had been that our
15	NRC cyber security requirements would really
16	encompass everything. But subsequently, really in
17	my view of the history based on NRC's own comments
18	to FERC's order, FERC really was left with no
19	choice but to significantly narrow that exemption.
20	So I have followed the development of the MOA
21	between you, Scott, and your folks and FERC and
22	NERC on this issue.

1	If my memory is right, there was a really
2	strong attempt to develop a list of types of
3	equipment instead of this exception process,
4	because where we have ended up, as nuclear plants or
5	licensees they have the opportunity to submit a
6	request for exceptions for equipment subject to NRC
7	cyber security regulation.
8	So we went from a very broad exemption to a
9	narrow one. Then we tried to develop a list and say,
10	well, it's 104 different plans but we can be pretty
11	sure that this set of equipment would be subject to
12	NRC cyber security regulations and therefore
13	Now where we've ended up, if I'm Exelon and
14	I'm a big fleet operator, I wonder is there at
15	least going to be one set that they would for their
16	fleets say
17	I guess what I'm getting to if, I'm an NRC
18	inspector of cyber security does that mean if I go
19	to plant x in the State of Illinois, that operator
20	might have submitted a request for exemption so
21	that piece of equipment at that plant is subject to
22	NRC cyber security requirements so I do inspect it.

But if I go across the state and go into another	
plant that is operated by someone else that same	
piece of equipment that serves the same function	
might be subject to the CIP standards so it's not	
under NRC.	
In that sense, is it a legitimate worry	
that this is kind of regulator shopping, it's kind	
of jurisdiction shopping?	

- 9 If I submit an exemption here, maybe I like the
- 10 CIP standard at this plant and I don't like Reg.
- 11 Guide 5.71 from NRC -- explain to me, first of all
- 12 why we couldn't come up with a list of systems that
- 13 said at least this subset should automatically
- 14 be exempted, why were we unable to do that?
- 15 It seems like in the most unfair criticism
- 16 it's as if NRC doesn't know what it regulates and
- 17 what it should be applying its own cyber security. standards to.
- 18 Why do we have this problem at nuclear
- 19 power plants?

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- 20 MR. MORRIS: Well, you're right, Commissioner.
- 21 Our initial attempt at establishing an MOU
- 22 with NERC we actually did -- we did create sort

- 1 of a generic list of systems that would not notionally or
- 2 nominally fall under NRC jurisdiction.
- 3 That information is not lost we just moved
- 4 it to a different place, we moved it to the NERC
- 5 process.
- 6 In fact, Gerry didn't spend much time on
- 7 it, but the principal purpose of these workshops
- 8 going forward is those lists have been -- will be
- 9 reinvigorated.
- 10 They are a part of what NERC has called their bright
- 11 line survey, for lack of better terminology, to
- 12 determine what the bright line is between NERC and
- 13 NRC jurisdiction.
- 14 So part of the survey includes that generic --
- 15 that's I guess the first step.
- 16 The other part I would mention is that we
- 17 are working very closely with NERC and the issues
- 18 you are raising are real, potentially real issues and
- 19 it is not lost on us that we have to be vigilant
- about those things.
- 21 Part of the purpose of the workshops is to
- 22 make sure that these issues get fully vetted and

1	ventilated in front of our stakeholders so they
2	have the opportunity to raise these concerns as
3	well and help us find ways to not do what
4	COMMISSIONER SVINICKI: I appreciate that and
5	hopeful.
6	I will be looking to hear more about the
7	outcome of the workshops, but if you consider this
8	unfair, let me know.
9	What I would regret is if we ended up in a
10	circumstance where two regulatory agencies could not
11	come to agreement on, you called it bright lines,
12	but we also talked on this panel about overlaps.
13	We talked about two things and I think the
14	regulated community would prefer to have more
15	bright lines and less overlap.
16	So, I don't think it is necessarily fair to
17	say because we couldn't figure it out, we are going
18	to burden shift this onto you because
19	two government agencies couldn't sort
20	this out and it, that being said, it's a very
21	positive thing to have this informed by those who
22	operate these facilities who should know better.

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1	These workshops hopefully will take
2	something that was perhaps an exercise in
3	frustration to do without their input and maybe we
4	could yet develop some generic list or a list that we
5	said as a minimum and maybe plant by plant there
6	would be other pieces of equipment that would come
7	on this list. And maybe it's just that I fail to
8	understand the complexity of it, but I think it is
9	kind of regrettable that we couldn't come up with a
10	minimum subset.
11	MR. MORRIS: There is no doubt in my mind that we
12	could probably come up with 80 to 90% of these on a generic
13	basis.
14	But rather than dictate that to the
15	licensees, I think the path the staff ultimately
16	chose was to enable the licensees an opportunity to
17	have them tell us, no, no. that's not right NRC, it's really
18	this.
19	Again, right, wrong or indifferent, the
20	path we are currently on is to collaborate closely
21	with NERC and with the stakeholders to get this
22	thing right rather than issue it with finality in

- 1 an MOU that's somehow imposed on everybody without
- 2 their opportunity to have an input.
- 3 You may recall the stakeholders didn't get
- 4 the opportunity to participate in the MOU
- 5 development process.
- 6 COMMISSIONER SVINICKI: And I know Mr. Cauley
- 7 wants to respond to this, but he acknowledged in his
- 8 presentation I believe that we are in developmental stages here so I
- 9 know there is more work to be done.
- 10 MR. CAULEY: At the risk of frustrating you further,
- 11 which I don't want to do, in my mind parts of this are
- 12 really clear and I think jurisdictional demarcation are
- 13 really clear.
- 14 We have completely different objectives.
- 15 On one side it's nuclear safety.
- 16 On the other side is the reliability and
- 17 operability and survivability of the grid.
- 18 So I think the MOU negotiations to date have
- 19 done a really good job of getting that division of
- 20 understanding of what it is we're trying to
- 21 accomplish.
- 22 Unfortunately, what we end up talking about

- 1 then is standards to keep the grid together and
- 2 keep its survivable, as well as.
- 3 standards to keep the nuclear
- 4 safety, do end up overlapping and the equipment
- 5 overlaps.
- 6 So I look at this -- in terms of the objective
- 7 and the goals we have a really clear division, and
- 8 I think a good understanding of what we are trying
- 9 to accomplish.
- 10 To do the rest, in terms of what standards
- 11 apply where and what equipment, I think we have to
- 12 look more toward what is efficient, what's going to make
- 13 this work from a pragmatic standpoint, how do we
- 14 divide this up so it works for the licensees
- 15 because there is actually a negative consequence of
- 16 double counting and double evaluating, is that we
- 17 end up spending time -- wasting time looking at
- 18 things that are not helpful to reliability or to
- 19 safety.
- 20 I think on one level the MOUs have done
- 21 what they were meant to do, which is provide clear
- 22 demarcation of our objectives and what we're trying

1 to get about.

2	Now, workshops and negotiations with the
3	licensees and industry is about can we do an
4	efficient carve out of this so we don't end up
5	tripping over each other as we go through the
6	actual work.
7	MR. MALLETT: If I may add.
8	I think it's the staff's goal and the NRC
9	to truly, and I believe NERC as well,
10	Mr. Cauley may differ with me if he wants,
11	to have some sort of a list that you start out with
12	where you definitely have clear which system are
13	NRC jurisdiction and which are under the FERC,
14	NERC.
15	I think that will build upon as you have
16	experience you can add to that list or subtract as
17	you have experience.
18	But in the meantime, and I think your criticism
19	is fair because we still aren't in alignment on
20	that list.
21	We set up this process, as Mr. Cauley said,

22 in the MOU to where if you do have a situation

1	where there is overlap, that we would get together
2	to discuss that and certainly, what I mentioned in
3	the beginning of this whole briefing, if there's a
4	question as to whether it's a safety impact or grid
5	reliability impact, the safety impact for NRC would
6	trump the grid reliability and we all came to
7	alignment that.
8	I think that is a key part of that MOU.
9	COMMISSIONER SVINICKI: Okay, thank you.
10	Thank you, Mr. Chairman.
11	CHAIRMAN JACZKO: Thanks everyone, I think
12	certainly a lot of progress has been made on this issue.
13	One following up on Bruce's points
14	one of the challenges that we face in this area, to some
15	extent there is dual regulation.
16	That was the intent of Congress. There are
17	responsibilities in different roles here.
18	If you look from an NRC perspective our
19	concern is safe operation or safe shutdown of the
20	facility which may not be good for reliability.
21	But from our perspective a digital system or
22	any system that is manipulated in such a way that

1	it causes the plant to trip in a safe way, that is
2	not a system that necessarily, from the NRC
3	perspective, challenges our regulatory requirement.
4	That may have significant challenges from a
5	reliability perspective and if someone were to
6	manipulate the grid in that way would be doing
7	other damage, but our focus is just on that safe
8	shutdown of the plant.
9	So there clearly are systems that were not
10	within the scope of NRC authority, or not within
11	the scope as we established in our regulatory
12	requirements.
13	I think as we went on the road of the MOU
14	the ideal situation would be for us on a
15	reimbursable basis to conduct the inspections to
16	effectively do the regulation on the part of NERC,
17	and I noticed Jon one of the things you're doing is
18	proposing legislation to Congress and one of the
19	things we thought about was trying to fix that
20	particular aspect of the nuclear piece of it.
21	My understanding, the legal problem is that
22	NERC is not a federal entity.

1	Therefore, it's not a federal entity, we
2	can't get reimbursed from NERC.
3	So, there may be a simple legal fix here
4	that solves all of these problems and allows, from
5	the nuclear perspective, for NRC to carry out the
6	inspections to carry out the regulatory work on
7	behalf of NERC, but we need a legal chain that says
8	we're allowed to get reimbursed for that.
9	That may be an easier thing to do than
10	trying in statute to do here which is to delineate exa
11	where does it matter and where it doesn't because
12	the issue is, in the end, digital systems are all
13	the systems at a facility need to meet a certain
14	standard, we could go ahead and carry that out
15	and do the inspections and do that activity.
16	Again, recognizing that the kinds of
17	attacks won't necessarily be affected by what the
18	system actually does.
19	Whether it shuts down the plant or whether
20	it ensures that emergency core cooling system

activates properly, the kinds of digital protections in the cyber security may be the same

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1	in which case it's a simple thing for us to do to
2	carry on all that work and then the licensee has
3	one program for all of their systems regardless of
4	whether under NRC or NERC authority.
5	That is very much where we were heading.
6	We were having very good discussions I think with
7	our staffs to work that out through an MOU.
8	Unfortunately, we don't have lawyers on our
9	Commission, so I can say unfortunately the lawyers
10	got involved and told us we don't have the legal
11	authority to do that.
12	That may be where we can most easily
13	resolve this is to try and just fix that piece of it
14	to allow us to go back and actually execute the MOU that we
15	were making a lot of good progress on negotiating.
16	And that, to some extent, solves this
17	difficult challenge of trying to delineate the
18	system.
19	I think there is many paths forward here
20	and many ways we can resolve it.
21	Maybe something together we can talk to
22	Congress about to fix your issues with your
- 1 authority and then we can try to cover that one
- 2 piece of it as well.
- 3 We have gone a little bit longer than we
- 4 anticipated, I think it is certainly a reflection
- 5 on this last topic of the importance of this work
- 6 to both of our agencies, and I for one appreciate the
- 7 presentations of all of the panels that we had
- 8 today and would thank, John, you and your
- 9 colleagues for continuing I think to cooperate with us and
- 10 collaborate with us and demonstrate how two federal
- 11 agencies can work very well together in the
- 12 interests of the American people.
- 13 We thank you for coming down to our offices
- 14 today and look forward to the next visit to yours.
- 15 CHAIRMAN WELLINGHOFF: Thank you, Gregg, I
- 16 appreciate it.
- 17 Your last comment on doing the work and
- 18 getting reimbursed by NERC, that's a little rule
- 19 called augmentation of appropriations we've run up
- 20 against ourselves.
- 21 Hopefully, there is something we can work
- 22 out on that issue.

- 1 I want to thank you and Commissioner
- 2 Svinicki and your staff and all of the participants
- 3 on all the panels today.
- 4 I learned a lot. It was very enjoyable and
- 5 very informative and interesting, and I look
- 6 forward to hosting down at FERC next year.
- 7 COMMISSIONER MOELLER: Mr. Chairman, our focus today has
- 8 been on reliability, but I always like to give a little
- 9 historical perspective.
- 10 Twenty years ago we had about 110, 113 operating
- 11 nuclear plants. Now we have 102.
- 12 They're at much higher capacity levels,
- 13 they are putting out power at cheaper rates,
- 14 I've -- from everything I've seen, they run better
- 15 and more safely and it has really been a remarkable
- 16 story of regulation by the NRC and our predecessors
- 17 at FERC.
- 18 You've watched the safety side of it. Our
- 19 predecessors opened up on the economic side with
- 20 wholesale competition, open access to transmission,
- 21 and the result has been the equivalent of 30 more
- 22 nuclear plants on the grid on an annual basis, or

- 1 30 large baseload plants.
- As we go through these sometimes tedious
 but important issues, a little reflection I think
 particularly for the success of our predecessors is
 appropriate.
 CHAIRMAN JACZKO: Again, I want to thank
- 7 everybody, and with that we are adjourned. Thanks.
- 8 (Whereupon, the meeting was adjourned)
- 9
- 10