



Federal Energy Regulatory Commission
January 18, 2018
Open Commission Meeting
Staff Presentation
Item E-2

"Good Morning, Mr. Chairman and Commissioners.

"Item E-2 is a draft Notice of Proposed Rulemaking (NOPR) that proposes, pursuant to section 215 of the Federal Power Act, to approve supply chain risk management Reliability Standards CIP-013-1, CIP-005-6 and CIP-010-3. The North American Electric Reliability Corporation (NERC) submitted the proposed Reliability Standards for Commission approval in response to a Commission directive in Order No. 829.

"The draft NOPR explains that the global supply chain provides the opportunity for significant benefits to customers, including lower cost, interoperability, rapid innovation, and a variety of product features, but that it also enables opportunities for adversaries to directly or indirectly affect the management or operations of generation and transmission companies in a manner that may result in risks to end users, such as through the insertion of counterfeits, unauthorized production, tampering, theft, or insertion of malicious software. The draft NOPR proposes to determine that the submitted Reliability Standards augment the currently-effective CIP Reliability Standards to mitigate cybersecurity risks associated with the supply chain for BES Cyber Systems.

"While proposing to approve the proposed Reliability Standards, the NOPR states that there remains a significant cyber security risk associated with the supply chain for BES Cyber Systems. Specifically, the draft NOPR explains that the proposed Reliability Standards exclude Electronic Access Control and Monitoring Systems (EACMS), Physical Access Controls Systems (PACS), and Protected Cyber Assets (PCAs), with the exception of the modifications in proposed Reliability Standard CIP-005-6, which apply to PCAs. To address this gap, pursuant to section 215(d)(5) of the FPA, the draft NOPR proposes to direct NERC to develop modifications to the CIP Reliability Standards to include EACMS associated with medium and high impact BES Cyber Systems within the scope of the supply chain risk management Reliability Standards. In addition, the draft NOPR proposes to direct NERC to evaluate the risks presented by PACS and PCAs in the study of cyber security supply chain risks requested by the NERC Board of Trustees in its resolutions of August 10, 2017. The draft NOPR further proposes to direct NERC to file the Board of Trustees-requested study's interim and final reports with the Commission upon their completion. The draft NOPR also proposes to shorten the implementation period proposed by NERC.

"This concludes our presentation, we are happy to take any questions you may have."