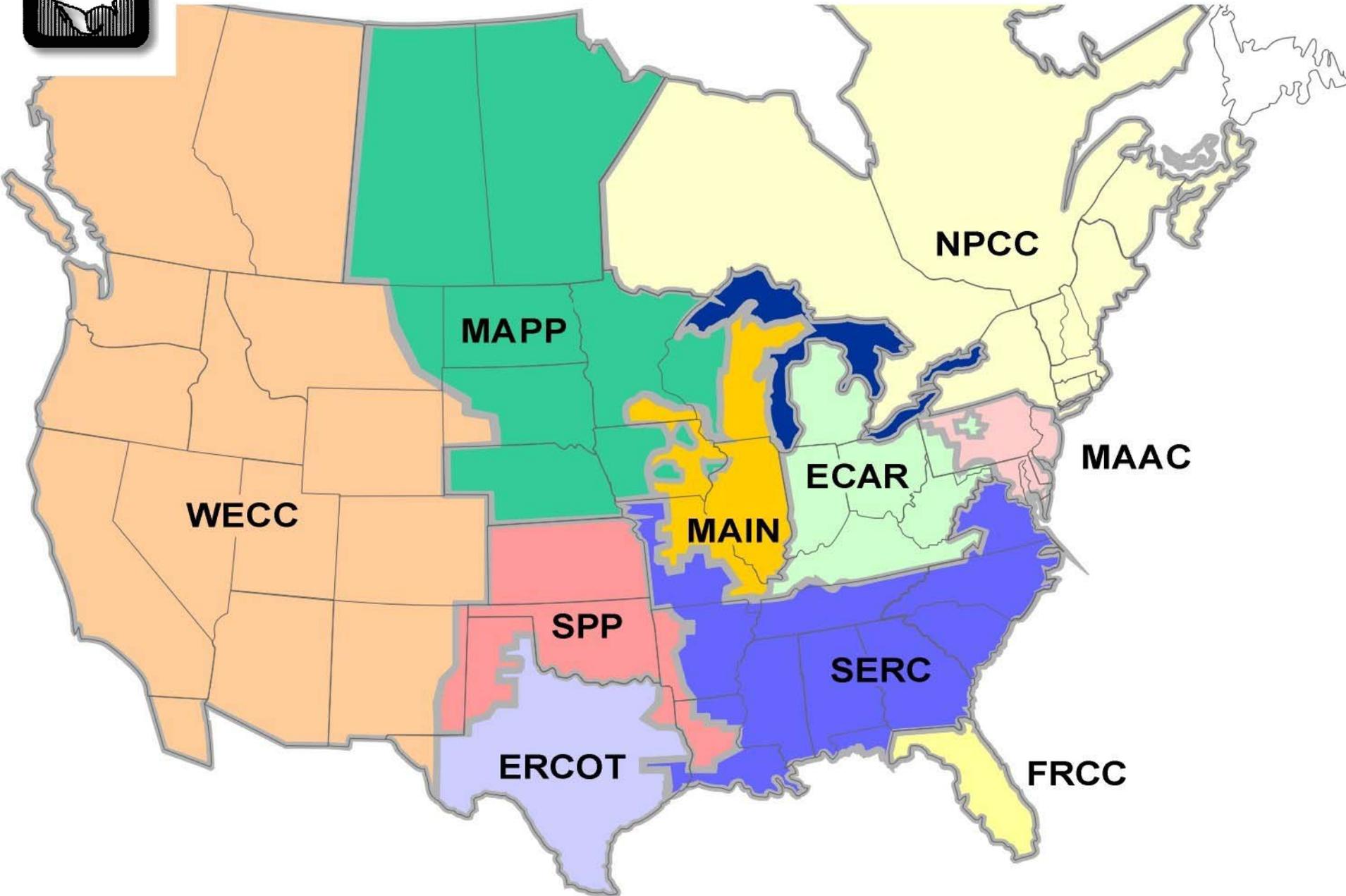




NORTH AMERICAN ELECTRIC RELIABILITY COUNCIL





FERC Proposal for Cyber Security Standards

Evolution and NERC Participation

NERC Comments to Cyber Security
Standards in SMD NOPR



EVOLUTION

- FERC requested NERC CIP Advisory Group (CIPAG) support in developing a proposal for cyber security standards - May, 2002
- CIPAG established a Self-Directed Work Team to draft proposed standards
- Critical timeline to provide before July 31, 2002 for inclusion with FERC NOPR for Standard Market Design (SMD)
- Public Comment period ended November 15, 2002
- CIPAG submitted updated proposal as comments to NOPR
- FERC Technical Conference to review comments - December 6, 2002



INTENT

- FERC has stated its intent is to provide “minimum daily requirements” for cyber security of Market and Grid Operations
- The intent of the CIPAG is to address basic “Low hanging fruit”
 - Must be achievable within compliance timelines
 - Must be affordable and cost effective across Electricity Sector
 - Define the “What”, but not the “How”
 - First industry step in right direction, then move forward
 - Must be successful - success will breed more success



CIPAG COMMENTS Overview

- CIPAG has used the comment process to refine the proposed cyber security standards
 - Provide greater clarity
 - Include additional definitions
 - Restructure to distinguish FERC process requirements separate from the measurable standards
 - Recommend an achievable timeline to meet compliance



CIPAG COMMENTS

Final Proposal

1. Move Application and Compliance sections out of Appendix G, and into body of ruling -- these are viewed as FERC procedural issues separate from the actual standards
2. Recommend a timeline that supports partial compliance as “good-faith effort” by JAN 1, 2004, with full compliance by JAN 1, 2005



CIPAG COMMENTS

Final Proposal

3. Recommend adding a Definitions section to Appendix G
 - Responsible Entity
 - Critical Cyber Assets
 - Electronic Security Perimeter
 - Physical Security Perimeter
 - Authorized Person
4. Recommend removing References section from Appendix G, and acknowledge NERC Security Guidelines

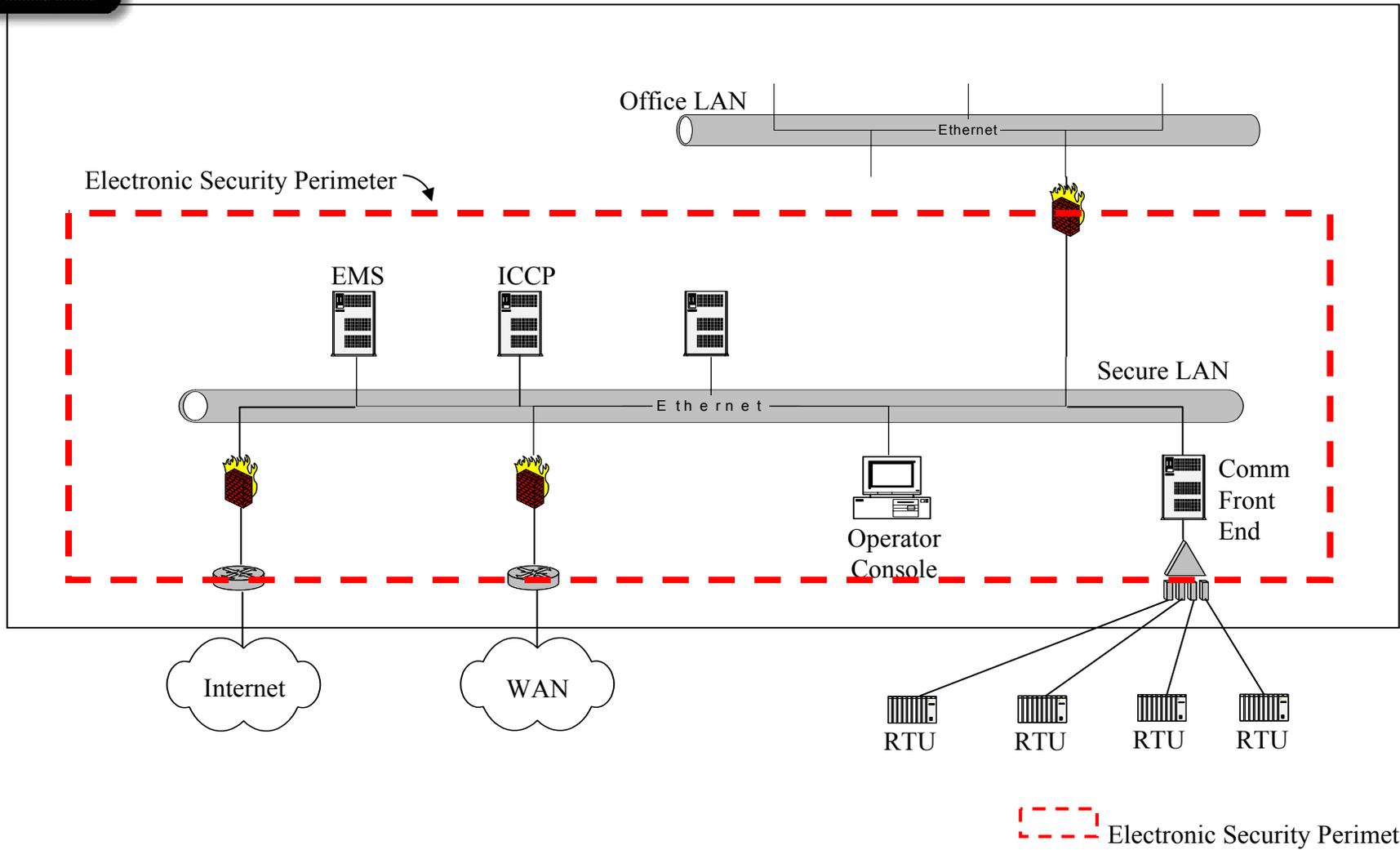


CIPAG COMMENTS Final Proposal

5. Recommend modifying title of self-certification form to read, “Annual Self-Certification of Compliance with FERC Cyber Security Standards”
6. Recommend modification of wording to various paragraphs in Appendix G to achieve clear and concise language
7. CIPAG has also provided sample graphic representations of physical and cyber security perimeters as discussion aids

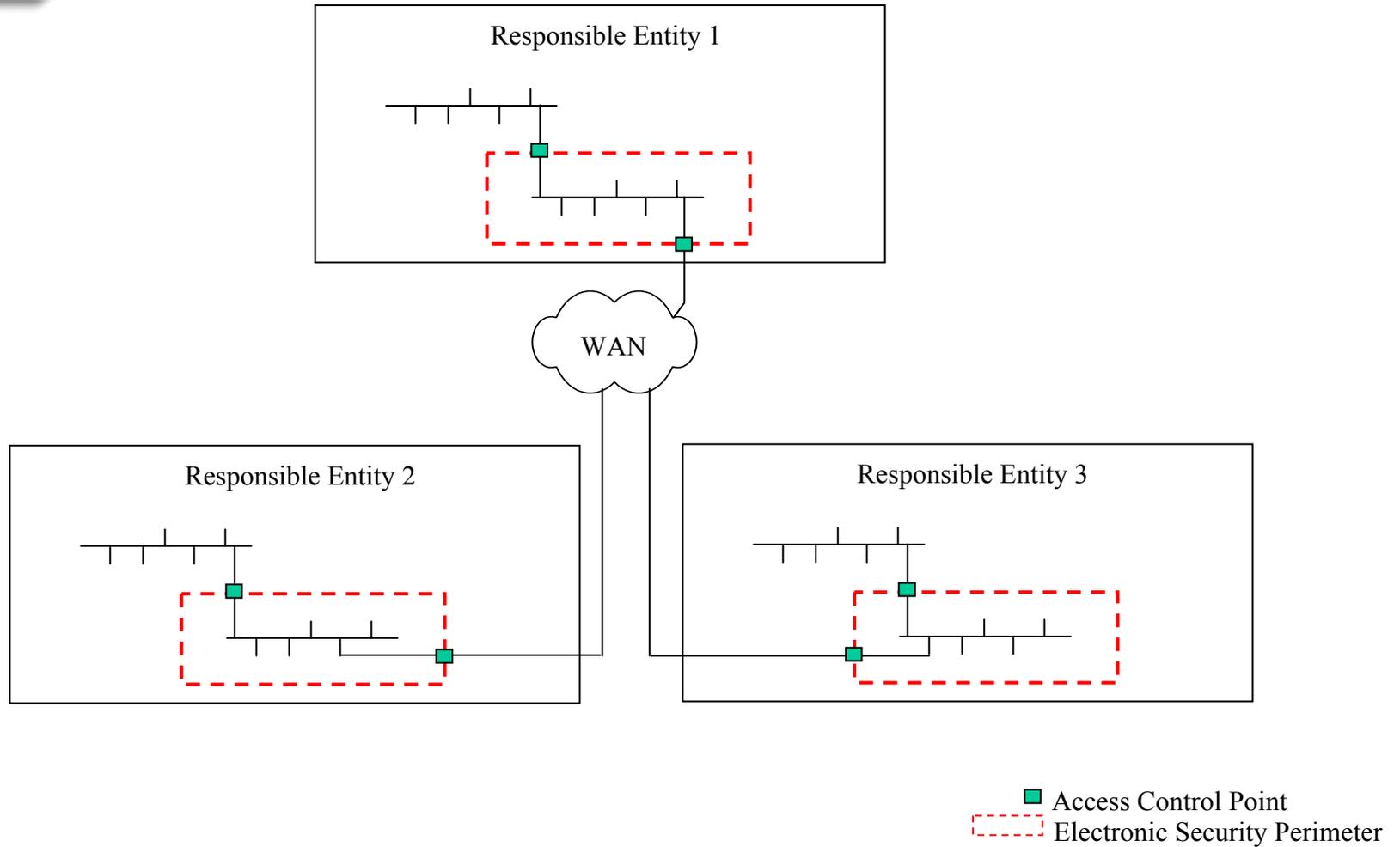


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NERC SUPPORT

- NERC supports the opportunity for the Electricity Sector to develop self-regulation for security standards
- NERC supports the goal of all future security standards for the Electricity Sector evolving through a NERC / NAESB standards-making process



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