



Federal Energy Regulatory Commission
July 21, 2016
Open Commission Meeting
Staff Presentation
Item E-8

"Good morning Mr. Chairman and Commissioners,

"Item E-8 is a draft Final Rule directing the North American Electric Reliability Corporation (NERC) to develop a forward-looking, objective-based Reliability Standard that addresses supply chain risk management for industrial control system hardware, software, and computing and networking services associated with bulk electric system operations. The draft Final Rule is being issued after receiving comments from thirty-four entities on the July 15, 2015 Notice of Proposed Rulemaking (NOPR) and following the January 28, 2016 staff-led technical conference with additional comments and/or presentations from twenty-four entities representing industry, government, vendors, and academia. The draft Final Rule adopts the proposal from the July 15, 2015 Notice of Proposed Rulemaking (NOPR), finding that the record supports the development of mandatory requirements, pursuant to the Commission's authority under section 215(d)(5) of the Federal Power Act, for the protection of aspects of the supply chain that are within the control of responsible entities and that fall within the scope of the Commission's authority under section 215 of the Federal Power Act.

"The draft Final Rule explains that the new or modified Reliability Standard developed to address the Commission's directive should require each affected entity to develop and implement a plan that includes security controls to address the following security objectives: (1) software integrity and authenticity; (2) vendor remote access; (3) information system planning; and (4) vendor risk management and procurement controls. The draft Final Rule does not, however, require NERC to impose any specific controls, nor does the Commission require NERC to propose "one-size-fits-all" requirements. In other words, the draft Final Rule directs "what" gap NERC should address, not "how" NERC addresses that gap.

"In adopting the NOPR proposal, the draft Final Rule finds that section 215 of the Federal Power Act provides the Commission with the authority to direct NERC to address the reliability gap concerning supply chain management risks identified in the NOPR. The draft Final Rule also notes that NERC's response to the Commission's directive to address the supply chain-related reliability gap should (1) respect section 215 jurisdiction by only addressing the obligations of responsible entities and (2) not directly impose obligations on suppliers, vendors or other entities that provide products or services to responsible entities.

"Finally, the draft Final Rule directs that NERC submit a new or modified Reliability Standard within one year of the effective date of the draft Final Rule."