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Dr. Arnold:

The National Institute of Standards and Technology's ("NIST") Smart Grid Federal Advisory Committee (the "Committee") submits the following consensus-based advice and recommendations regarding the *Smart Grid Interoperability Panel 2.0 ("SGIP 2.0") Business Sustainment Plan, Version 1.0: Roadmap to the Future of Smart Grid Interoperability* (the "Plan"), prepared by the SGIP Business Sustainment Plan Working Group ("BSPWG").

As background, the Committee provides input and advice to NIST on the Smart Grid standards, priorities and gaps, and on the overall direction, status and health of the Smart Grid implementation by the industry including identification of industry issues and needs. According to its Charter, input from the Committee to NIST will be used to help guide SGIP activities and will also assist NIST in directing research and standards activities. It is clear that the duties of the Committee are solely advisory in nature in accordance with the provisions of the Federal Advisory Committee Act ("FACA").

The Committee, through its role as outlined in its Charter, first would like to take this opportunity to commend NIST for the progress it has made in short order in facilitating the drive toward developing a more cyber secure and interoperable grid for both today and tomorrow. Second, the Committee appreciates the work done to date on this particular effort and indirectly commends the BSPWG, through this correspondence to NIST, for its extensive efforts as reflected in Version 1.0 of the Plan. The 37-page Plan is a very positive and practical

first step toward transitioning to SGIP 2.0. It is the consensus position of the Committee that the Plan, after consideration is given to the revisions and recommendations outlined below, can benefit the industry's efforts to modernize the grid, including the development of a more cyber secure and interoperable smart grid.

Since November 29, 2011, when Dr. George Arnold assigned the Committee the task of providing input to NIST on a plan to transition the SGIP into a sustainable independent public-private partnership, the Committee has convened many full Committee and sub-team discussions, both face-to-face and via conference calls. In addition to reviewing and providing its comments and advice on the Plan, the Committee also extensively reviewed and discussed two supporting documents, the *SGIP Transition Business Plan: NIST Recommended Framework* (dated February 17, 2012) and *Deliverable 3b - Revised Business Plan* prepared by EnerNex (dated February 16, 2012). In an effort to obtain additional information and further insight to assist the Committee in its task, a Committee sub-team also held a conference call with Scott Ungerer, Chair of the BSPWG on March 8, 2012, and met with NIST staff and Erich Gunther, Chief Technology Officer of EnerNex (the SGIP Administrator) on March 16, 2012.

There is much to like and to build on from the current version of the Plan; however, there are some fundamental aspects of the Plan which require further review, careful consideration, and potential revision before the Plan is finally presented to and adopted by the SGIP Governing Board. After careful review and discussion as outlined above, the Committee respectfully submits the following consensus-based advice and recommendations for NIST's consideration regarding the Plan.

NIST's Mission Pursuant to the Energy Independence and Security Act of 2007 ("EISA 2007")

The Committee supports the original mission by which NIST created the SGIP and agrees that the SGIP's role going forward should be to continue to provide a solid framework for the coordination of all stakeholders to accelerate harmonization and development of smart grid

interoperability standards. However, the draft Plan appears, in part, to envision an SGIP 2.0 that strays from the EISA 2007 mandate. Accordingly, the Committee cautions that the SGIP's transition to SGIP 2.0 should adhere strictly to the original EISA 2007 mission to accelerate harmonization and development of interoperability standards. Furthermore, the SGIP 2.0's activities going forward should be guided by what is "necessary", consistent with the provisions of EISA 2007. In sum, any final version of the Plan should explicitly reflect the stated EISA 2007 NIST purpose as relates to interoperability standards.

The Committee also believes there is a need for a more streamlined, focused, and prioritized SGIP 2.0 and not a more expansive organization going forward. This is consistent with the major themes within the Committee's NIST Recommendations Report provided to the agency in the spring of 2012. Inclusion of additional organizational structures such as the *Regulatory Advisory Council* and a number of additional activities which appear to be only remotely related to NIST's EISA 2007 mandate should be carefully re-considered within the context of the Committee's previous recommendations.

Value Proposition

Fundamentally, before any budgets are set, dues structures developed, or organizational functions established, it is critical that the SGIP 2.0 value proposition be clearly articulated to industry stakeholders and fully vetted and endorsed by the participants. The case for the SGIP 2.0 is not strongly made in the Plan as to why a company should become a new member of SGIP 2.0. Instead, the Plan seems to focus on existing members of SGIP who are already "bought in" when it should be focusing on new members to sustain the effort going forward. Also, given that it appears the current SGIP is experiencing declining active stakeholder participation (e.g., decrease in stakeholders with active voting status), there may be a difference between what the SGIP stakeholders and the BSPWG perceive as the value of SGIP participation. This calls into question whether the espoused value proposition is compelling enough for a sufficient number of stakeholders to justify participation in the proposed SGIP 2.0. The critical questions that the Committee believes NIST and the SGIP should be considering are:

(1) What value will be gained from SGIP 2.0 at a cost, which is not currently being delivered by SGIP for free; and (2) can sustainability be achieved if guiding principles such as proving stakeholder balance and the existence of funding pressures appear to be at odds with one another? Fundamentally, it is critical that subsequent versions of the Plan present a future vision for SGIP 2.0 and clearly establish that there is a need for an SGIP 2.0.

SGIP 2.0 Regulatory Community Engagement and Potential Roles

It is the Committee's consensus position that SGIP 2.0 should not be "the primary organization that brings federal and state regulators in the industry together to informally discuss all aspects of the Smart Grid development and the appropriate economics to make the Smart Grid a reality." Though the Committee strongly believes that both the federal and state regulator communities should play a stakeholder role and be privy to and engage in existing stakeholder discussions, committees, working groups, etc., SGIP 2.0 should make every effort to avoid any appearance of becoming a quasi-regulatory or standards enforcement body. Instead, SGIP 2.0 should focus on voluntary smart grid interoperability standards coordination, facilitation, and development activities and initiatives. Related thereto, it is the Committee's firm belief that discussion and consideration of establishing new committees or councils, most notably the proposed *Regulatory Advisory Council*—proposed by the BSPWG for the purpose of providing "direct access to and increased involvement by electric industry regulators"—, at a time when there are still many open questions regarding the SGIP 2.0 value proposition, budgets, and funding mechanisms, are entirely premature and potentially duplicative and unwarranted at this stage of the development process.

The Committee therefore advises NIST (and by extension the BSPWG) that the proposed *Regulatory Advisory Council* should not be considered further or implemented until it is more fully vetted with the regulated utility community as well as legal counsel representing the various state regulatory bodies to ensure its propriety for all participating regulated entities under the rules and procedures for the relevant jurisdictions. It is also the advice of the Committee that the inclusion of provisions within the Plan which provide for any

payment/reimbursement to state and federal regulators for SGIP 2.0-related travel be very carefully re-considered, if not rejected completely..

SGIP 2.0 Budget

The Committee agrees with the Plan's statement that the "operating budget is very difficult to estimate at this time" but also believes that the basis of the \$5.4 million annual SGIP 2.0 budget needs greater explanation and justification. It is the Committee's position that much more information needs to be provided to all stakeholders in the next version of the Plan to shed more light on the proposed \$5.4 million annual budget. A key component of any explanation would include a "side-by-side" or a rigorous financial analysis of the current SGIP versus SGIP 2.0. Put another way, the Committee recommends that the Plan should include additional discussion regarding the costs of past SGIP needs as well as anticipated costs of needs going forward in SGIP 2.0. This is an important step in providing transparency and eventual stakeholder acceptance going forward.

Accordingly, the entire section of the Plan focused on the budget needs further discussion, explanation, and justification in order for SGIP stakeholders to satisfactorily evaluate and confirm that the budget is appropriate. Going forward, SGIP 2.0 costs and expenditures should be closely monitored, reviewed and confirmed to be appropriate. The members of the SGIP Board of Directors, SGIP officers and all SGIP standing committee and working group chairs should be made accountable for not exceeding budget targets. The Committee also recommends that a budget cap be considered in order to keep costs in check over time. At the end of the day, any proposed budget for SGIP 2.0 must be supported by clear and realistic benefits versus the costs.

Guiding Principles versus a "Tiered Annual Dues Structure"

It is the consensus position of the Committee that the proposed "Tiered Annual Dues Structure" ("proposed dues structure") will not support SGIP's four guiding principles of openness, balance, consensus, and harmonization and may not bring about the intended outcome of SGIP

sustainability. Rather, this proposed dues structure could contribute to the unintended consequence of accelerated stakeholder disillusion. Any funding mechanism or structure that does not support or cultivate the SGIP's four guiding principles will not, in the minds of Committee members, support organizational sustainability. As one Committee member put it recently, "without its solid foundation built upon openness, balance, consensus and harmonization, the SGIP as envisioned in the Plan will fall like a house of cards."

It is a real concern of the Committee that the proposed dues structure will create a perception of certain SGIP members' paying for greater influence and could create a sub-class of participating members since those at the lowest level—in the Plan's "silver" category—would not be able to:

- Stand or vote for Board of Directors or even observe Board of Directors meetings;
- Have access to Board materials or vote on technical issues in committees, work groups and the general membership;
- Stand for membership of Board Committees or be a full member in Board Committee working groups or task forces; or
- Stand for membership committee chair or vice chair election.

The Committee fully appreciates the challenge before the BSPWG in developing a sustainable funding mechanism for SGIP 2.0. In Committee discussions, it was noted that other organizations tied closely to the electric industry, namely the North American Energy Standards Board ("NAESB") or Underwriter's Laboratory ("UL"), might serve as models when the BSPWG further explores the funding issues.

Beyond the proposed dues structure, the Committee supports the pursuit of government and private grants but is not supportive of the numerous alternate revenue sources outlined in the Plan such as advertising, logo items, etc. as they would likely prove to be a distraction for SGIP leadership who instead should rely on membership fees, conference fees and available

government and grant funds for funding. Related thereto, any Plan provision that SGIP 2.0 be funded by an electric utility customer bill surcharge is unacceptable and should be deleted.

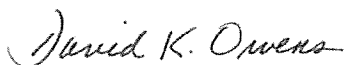
Conclusion

As mentioned in the opening of this correspondence, the Plan is a good step forward and with future refinements will be beneficial in enabling electric industry stakeholders from all sectors to further develop the Smart Grid through interoperability standards. Revising the Plan in accordance with the recommendations discussed above—bringing greater focus and attention to the original mission, the value proposition, regulator community engagement/involvement, proposed dues structures and the operating budget—will help to ensure that the SGIP 2.0 will continue to identify and supplement the interoperability standards that have already been reviewed and cataloged by the current SGIP. The Committee wishes again to convey to NIST that it commends BSPWG for its efforts in developing the Plan and expresses appreciation for the opportunity to provide its input as the private-sector advisory body to NIST. The Committee would welcome any follow-up discussions with NIST staff, whether face-to-face or via conference call, if the observations and recommendations presented above require further discussion or explanation.

Sincerely,



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Chief Technology Officer
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