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Dear 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 2.0: Roadmap to the Future of Smart Grid Interoperability (the "Plan"), prepared by the SGIP Business Sustainment Plan Working Group ("BSPWG").

The Committee would like to take this opportunity to commend the many dedicated volunteers on the BSPWG for their efforts and express our appreciation on behalf of the many industry sectors we represent as members of the Committee. Version 2.0 of the Plan is viewed by the Committee as a positive step forward from Version 1.0 of the Plan. Again, the BSPWG is to be commended for the dedication and the painstaking work on the conceptualization of any future SGIP 2.0.

The Committee was also very pleased to see that a substantial amount of its comments provided to NIST on May 4, 2012 were communicated to the BSPWG and incorporated in Version 2.0 of the Plan. For this round of comments on Version 2.0, the Committee has provided its recommendations below again centered around the original themes presented in the Version 1.0 recommendations dated May 4, 2012. Understanding that Version 2.0 is a much more comprehensive version of the Plan, the Committee has also provided its thoughts on new matters referred to as Legal/Organization Structure and NIST Technical Leadership. As a recap, the Committee offered the following high-level themes or areas of needed focus in its comments on Version 1.0 of the Plan:

1. NIST's Mission Pursuant to the Energy Independence and Security Act of 2007
2. Value Proposition
3. SGIP 2.0 Regulatory Community Engagement and Potential Roles
4. SGIP 2.0 Budget
5. Guiding Principles versus a "Tiered Annual Dues Structure"

It is not the intent of the Committee to provide NIST line-by-line edits or recommendations to Version 2.0 of the Plan but the Committee does encourage the BSPWG by way of this letter to NIST to review the granular comments provided by individual Committee member organizations. The Committee notes however that the above-mentioned suggestion is in no way intended to place a higher priority or weight on those comments made by the organizations which Committee members represent in their day-to-day activities versus those made by SGIP participants or the general public.

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

In its Version 1.0 comments, the Committee re-iterated its support of the original mission by which NIST created the SGIP and agreed that the SGIP's role going forward should continue to provide a solid framework for the coordination of all stakeholders to accelerate harmonization and development of smart grid interoperability standards. With this said however, the Committee also noted that Version 1.0 of the Plan envisioned an SGIP 2.0 that appeared to veer off course from the original EISA 2007 mandate. The Committee advised NIST that any SGIP 2.0 should adhere strictly to the original EISA 2007 mission to accelerate harmonization and development of interoperability standards. Furthermore, the Committee expressed its concern that any activities of any SGIP 2.0 should be guided by what is "necessary", consistent with the provisions of EISA 2007 and any final version of the Plan should explicitly reflect the stated EISA 2007 NIST purpose as relates to interoperability standards. The BSPWG should be commended for responding to the fundamental concern centered on the mission of NIST and therefore the mission of SGIP. To further strengthen and emphasize the future SGIP 2.0's commitment to the original mission of NIST, the Committee again recommends and advises that the mission should explicitly reference the mandate, pursuant to EISA 2007.

Value Proposition

In the Committee's May 4, 2012 letter to NIST, the core issue of clearly articulating the SGIP 2.0 value proposition to industry stakeholders prior to setting budgets, designing dues structures, or establishing new organizational functions was addressed. It was the consensus position of the Committee that the case for the SGIP 2.0 was not made strongly enough in Version 1.0 of the Plan specifically as to why an organization should become a new member of SGIP 2.0. Instead, the Plan seemed to focus on existing members of the SGIP who are already "bought in" when it should have focused on new members to sustain the effort going forward.

After review of Version 2.0, the Committee believes the work on the value proposition is an improvement over Version 1.0 and clearly represents a positive step forward. The Committee

does however recommend that the section of Version 2.0 focused on the value proposition should continue toward a Final Version which specifically uncovers the value as seen by individual stakeholders, especially the benefits to the electricity consumer. Additionally, the Committee invites and encourages NIST to assist it in establishing a dialogue between Committee members and SGIP's Communications, Marketing, and Education Working Group ("CMEWG") focused on uncovering various industry stakeholder value propositions. It is the Committee's position that a robust dialogue forged and facilitated by NIST is needed and would provide the CMEWG with stakeholder value proposition insights from strategically-positioned and senior-level decision makers from a cross-section of the Smart Grid ecosystem.

Finally, the Committee believes the above-recommended dialogue, forged and facilitated by NIST, would further assist the CMEWG, the BSPWG, and the SGIP in further articulating specific industry sector value propositions which will then in turn set up any SGIP 2.0 for success into the future. It is the position of the Committee that well articulated value propositions will lead to increased clarity and transparency on future SGIP 2.0 benefits, objectives, activities, work product and a more accurately estimated organizational operating budget.

SGIP 2.0 Regulatory Community Engagement and Potential Roles

The Committee's Version 1.0 consensus position as it relates to SGIP 2.0 engagement with the regulator community was that it should not serve as "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." In its comments the Committee reiterated its strong belief that both the federal and state regulator communities should play both an increased and significant stakeholder role within the SGIP 2.0, but every effort should be made by the BSPWG to avoid any appearance in future iterations of the Plan where SGIP 2.0 might be perceived as a quasi-regulatory or standards enforcement body. The Committee specifically raised the concern that any discussion and consideration of establishing new committees or councils, most notably the proposed Regulatory Advisory Council ("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, were entirely premature and potentially duplicative and unwarranted at this stage of the development process.

The Committee's comments on Version 1.0 continued on to advise NIST that the proposed 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 was apparent as the Committee reviewed Version 2.0 of the Plan that the BSPWG agreed with this recommendation and therefore it should again be commended for eliminating the proposed Council from the Plan in its entirety. The Committee also wishes to acknowledge the handling of any reference to an electricity surcharge which was originally found in Version 1.0 of the Plan but eliminated the reference in Version 2.0. Finally, the Committee would like to stress that it agrees that (1) there continues to be need for a greater-level of regulatory community involvement and engagement within SGIP 2.0; (2) the SGIP has already adopted and created an ideal mechanism for regulator community involvement in the form of the Implementation Methods Committee (“IMC”), and (3) again wishes to offer its guidance and advice to NIST in determining other ways to further increase this level of involvement within SGIP 2.0.

SGIP 2.0 Budget

As was stated in the May 4, 2012 letter to NIST, the Committee agreed with the Plan’s statement that the “operating budget is very difficult to estimate at this time” but also believed that the basis of the \$5.4 million annual SGIP 2.0 budget needed greater explanation and justification and that much more information should be provided to all stakeholders in the Version 2.0. In order to provide SGIP participants more transparency and eventual acceptance, the Committee recommended 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. Finally, the Committee recommended that controls such as a budget cap be considered in order to keep costs in check over time.

Although the Committee sees significant progress since its review of Version 1.0, the issues around the SGIP 2.0 budget continue to be an area of concern for its members. For example, as was the case with Version 1.0, the Version 2.0 again proposes a budget very near to \$5.4 million level—\$5.3 million to be precise. Based on Committee member feedback and analysis, this figure appears to be well above the \$1.5 million originally discussed with the Committee at the November 29, 2011 face-to-face meeting at NIST’s Headquarters.

As the private sector’s advisor to NIST on Smart Grid matters, it is one of the Committee’s intended objectives to contain costs of SGIP 2.0 in 2013 and to provide recommendations on ways to keep operational costs in check beyond 2013 so that a broader / wider stakeholder involvement in SGIP 2.0 can be achieved. It is the consensus opinion of the Committee that there still exists opportunities to scale back to a budget plan which would be closer to the

original \$1.5 million discussed in November 2012. It is the Committee's recommendation to NIST that the BSPWG and SGIP 2.0 should continue to examine ways to limit the overall cost of the operation. Though the Committee understands and supports the need to fund the organization, Version 2.0 of the Plan appears to focus much more of its efforts on the development of fundraising activities to meet a target that may not be realistic. Though Version 2.0 is an improvement over Version 1.0, especially based on the level of organizational and administrative detail provided, there still appears to be an opportunity to simplify the budget plan and focus and scale back SGIP 2.0's objectives (scope of work) to better reflect and align with original cost objectives.

It is the view of the Committee that though significant improvements have been made from Version 1 to Version 2, the SGIP 2.0 budget is still extremely general and lacks sufficient detail for the reader of the Plan to reach a determination as to whether or not the proposed budget is warranted. Specifically, the Plan should include a proposed 2013 budget that lists all the relevant line items and includes a discussion of budget controls that will be applied under SGIP 2.0. The Committee also noted that there are no budget projections or forecasts beyond 2013. It is the recommendation of the Committee that next iteration or Final Version of the Plan include a five-year annual projection for both operational objectives and expenses. It is also recommended, as was also suggested in the Committee's Version 1 comments, to include a high-level description of the proposed timeline and mapping of the transition of funding and expenditures from SGIP 1.0 to SGIP 2.0.

The overarching theme of the Committee's concern on the matter of the SGIP 2.0 budget is the appearance that the industry is creating a very large organization at considerable cost which may not be sustainable.

Guiding Principles versus a "Tiered Annual Dues Structure"

In the Committee's Version 1.0 comments, there was significant concern expressed over the proposed "Tiered Annual Dues Structure" ("proposed dues structure"). Specifically that the proposed dues structure would not support SGIP's four guiding principles of openness, balance, consensus, and harmonization and that it would also not bring about the intended outcome of SGIP sustainability. The Committee went on to say that the proposed dues structure might also contribute to the unintended consequence of accelerated stakeholder disillusion with the process and organization. After review of Version 2.0 of the Plan, the Committee was very pleased to see that the BSPWG also seemed to agree with its concerns by significantly revamping its dues structure to align the SGIP 2.0 with its four guiding principles. The proposed

dues structure now found in Version 2.0—consisting of both “participating” and “observing” members—will go a long way in removing the perception that certain SGIP members could pay for greater influence and the real potential for the creation of a sub-class of SGIP 2.0 members.

Additional Comments

Due to the fact that Version 2.0 contains much more detail as compared to Version 1.0, the Committee thought it appropriate to provide additional comments and recommendations to NIST. Specifically, this section provides the Committee’s thoughts in two specific areas referred to below as Legal/Organization Structure and NIST Technical Leadership.

On the issue of Legal/Organizational Structure, the Committee has concerns on the research conducted and the decision making process around incorporation of SGIP 2.0. Specifically, Version 2.0 of the Plan expresses NIST’s opinion that the SGIP 2.0 should not be incorporated as a 501(c)(6) entity, because doing so would (1) provide the opportunity for the organization to lobby lawmakers which is not the intent of SGIP 2.0, and (2) be viewed as an inefficient use of resources. Alternately it is also suggested in Version 2.0 that SGIP 2.0 should be incorporated as a 501(c)(3) entity—a charitable, research, or educational organization—to deal with the perceived “lobby problem” because “501(c)(3)s” are legally prohibited to conduct this type of activity. At this time, the Committee is still unclear as to the factual basis of this position (some members of the Committee suggest that “501(c)(3)s” can lobby but may be constrained in terms of the level of lobbying they can undertake and recommends that further research be conducted by NIST or the BSPWG, in quick order, on incorporation options before any final recommendations are made and/or adopted.

In regards to what the Committee refers to as NIST Technical Leadership, Version 2.0 of the Plan appears to give preferential treatment to NIST in the form of assumed leadership of key committees and activities within SGIP 2.0 including the Cyber Security Working Group (“CSWG”) and the Testing and Certification Committee (“T&CC”). The Committee’s position on NIST Technical Leadership is that it should not be automatically assumed that NIST is guaranteed leadership on any technical committee and the agency should earn selection in those areas just like any other participant from any other industry organization. The Committee encourages NIST and the BSPWG to reexamine this aspect of the Plan as it works toward the Final Version scheduled for release in July 2012.

Conclusion

As mentioned in the opening of this correspondence the Committee again commends the many dedicated volunteers on the BSPWG for their efforts and we express our appreciation on behalf of the many industry sectors we represent as members of this Committee. Version 2.0 of the Plan is viewed by the Committee as a very positive step forward from Version 1.0 and with future refinements will be incredibly beneficial in enabling electric industry stakeholders from all sectors to further develop the Smart Grid through interoperability standards. Revising Version 2.0 of the Plan in accordance with the recommendations discussed above 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 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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