MEREDITH: Ladies and gentlemen, good afternoon, and welcome to the U.S. Department of Energy's securing the United States bulk power systems executive order stakeholder call.
Today we're joined by Assistant Secretary Bruce Walker and Deputy Assistant Charles Kosak of the Office of Electricity to discuss the United States bulk-power system executive order, which was signed by President Donald J. Trump on May 1. Bruce Walker joined the Department of Energy as assistant secretary of the Office of Electricity in October 2017. In this role, he provides leadership on a national level to develop technologies to enhance security and reliability of energy infrastructure and facilitates the federal and state electricity policy planning that shapes electricity and market operations. This is critical to meeting the nation's going demand for resilient electricity by overcoming the challenges of the aging electricity transmission and distribution system and addressing the vulnerabilities in our energy supply chain. Chuck Kosak is deputy assistant secretary for the Transmission Permitting and Technical Assistance division in the Office of Electricity. He is responsible for leading the Department's technical assistance efforts for state, local, territorial, and tribal jurisdictions to facilitate development of resilient and reliable electricity infrastructure. He has 30 years of experience as a strategist, policymaker, planner, and risk manager. Prior to joining the Department of Energy, he was deputy assistant secretary of defense for defense continuity and mission assurance, where he worked to develop plans to ensure that the Department of Defense could continue to execute core functions even in the face of military and national hazard threats to installations and infrastructure. Bruce, I will hand it over to you.

BRUCE: Thank you very much. I appreciate everybody taking the opportunity today for us to communicate with the stakeholders, who obviously have many assets and will be a part of this process as we continue to move forward. The way we'll lay this out is Chuck will give us a very comprehensive and broad overview of many of the things that come together to inform the development and the execution of this executive order. And, then I will speak to the four pillars of this, and Michael Coe will address some of the Q&As that we've gotten, he'll be able to articulate out to the group. Thank you very much, and at this point, I will hand it over to Chuck.

CHUCK: Bruce, thank you very much for your great leadership in getting this important executive order into the end zone and your particular focus on defense critical electric infrastructure and the role of the Department of Energy and national security as it relates to energy. This should come as no surprise to the folks on the call. The first section of the 2017 National Security Strategy is entitled "To Protect the Homeland" and provides a very thoughtful elaboration on the needed urgency to protect our great nation's critical infrastructure from clear and present dangers that are growing every day. As a nation, we still face conventional physical threats, but increasingly we are confronted by asymmetric physical and cyber threats. Our great power competitors, Russia and China, have campaign plans specifically designed and focused to target critical infrastructure in the United States in an asymmetric manner. Russia and China particularly are aggressively advancing their cyber capabilities to degrade critical electricity, communications, transportation, and other sectors essential to our national defense. We call this hybrid warfare, and the threat is very bad now and getting exponentially worse going forward. The reality is that the homeland is no longer a sanctuary; instead, it's a theater of operations where the great power competition is playing out with increasingly serious and very real consequences. You've heard Bruce speak quite a bit over the last couple of years about the Worldwide Threat Assessment, which was published in 2019. On pages five and six, it makes very clear how real this threat is and how quickly it's advancing. Today, both Russia and China can cause localized disruptive effects on electrical networks, and one might think as an experienced industry operator and manager, that these malware attacks potentially on the bulk-power system would require customized plans against each utility, given the difference between utility operational technology systems and topographies. The reality is intelligence shows this level of sophistication exists and that this mapping is being pursued with great aggression, and the campaign plans are being developed on a continual basis. This is something we consider to be urgent and of paramount national security importance.

The national defense strategy calls out several layers of prioritized action, one being the surge layer. The surge layer is the means by which the Department [of Defense] flows assets to include personnel from garrison, flows their assets whether it's eastward or westward within the United States. Using electricity, obviously, is the critical enabler, communications, transportation, but if the means by which they flow their forces and they project power from the United States to defend the homeland and to execute their critical national security mission. The essence of this discussion and the essence of this executive order as it relates to the bulk-power system is that we cannot let our foreign adversaries strip our war fighters of their lethality here at home. You are all very aware that DOD doesn't have the mandates, the legal authority, or the mission to help promote resilience to their critical defense facilities outside of the wire. They may have authority to build redundancy and to build resilience inside the wire, but the fact of the matter is the Department of Energy has not only the mandate and the authority, but the mission and expertise and the relationships with you all to help do so. So, we're working with DOD, consistent with the 2015 Fixing America Service Transportation Act to harden defense critical electric infrastructure, focus on the most critical facilities - facilities, if degraded, would cause multiple operational plans to fail. I met Bruce a couple of years ago when he entered the administration. At the time, as Meredith indicated, I was a deputy assistant secretary of defense for defense continuity and mission assurance, and I wrote the mission assurance strategy for then-secretary Ash Carter and developed the very governance process that identified those critical defense facilities, and at that time started to work with the Department of Energy, and certainly since Bruce's arrival in the Department, we have worked very closely to convey that critical information in the Department of Energy so that Energy could pursue this critical national security area, which Bruce has prioritized, along with Secretary Brouillette, with excellence since the beginning of this administration. We are also working very closely with FERC and NERC. In March of 2019, Bruce helped organize a FERC and DOE technical conference entitled "Securing Investments for Energy Infrastructure," which included panelists from DNI, myself, TSA, NERC as well as industry experts to underscore the seriousness of this growing threat and what needs to be done to help mitigate it. One of the things I want to emphasize last is that the government, across the federal government, is very focused squarely on the center of gravity here in the homeland. It is a target; it is a focus of our near peer adversaries, so when you look at executive order 13873, entitled "Information and Communications Technology and Services Supply," that is an area of critical importance that the Department of Commerce is leading, and the Department of Energy and others are in support of. As you know, it is focused primarily on information technology, whereas this bulk-power system executive order is focused mostly, predominantly, on operational technology. We will lead DHS, Commerce, DNI, and others will be in support of us. All of this is in keeping with the 2020 Counterintelligence Strategy, which again, is an important document which is publicly available, in which we are across the federal family and over to industry to the commercial sector. Because 87 percent of the critical infrastructure in the United States is owned and operated by the commercial sector, this partnership is critical. The 2020 counterintelligence strategy speaks to the fact that we need to better information share, we need to better integrate our policies and create consistency, and weave our policies so that we eliminate seams that are exploitable by adversaries, and we certainly need to upgrade our partnership and our collaboration with industry to ensure that we can integrate our planning and our activities to protect the American critical infrastructure, as well as the American people and our ability to execute our national security functions. Thank you very much. Bruce, back over to you.

BRUCE: Thank you, Chuck, for that overview. You did a great job in articulating how many, many, many efforts with many departments over many years have really brought this to fruition and informed decision-making around the development of this, and now I will turn to the executive order itself. Fundamentally, the executive order contains four pillars. The first pillar involves the ability of the Secretary to identify certain countries and certain pieces of equipment within the bulk-power system that have the potential to create unacceptable risk or catastrophic risk to portions of the system, and in doing so, prohibit their use in the bulk-power system. I would highlight that we are working very closely with NERC and FERC, as Chuck suggested, as well as the industry, and we have been working with industry for the last several years to really get a good understanding of the bulk-power system, and the critical pathways and infrastructure that

are of concern for us as DOE as the national security agency as well as a member of the intelligence community. That being said, we are intending on initially utilizing this very surgically and very thoughtfully, in a way that comports with the knowledge that we collectively bring together through FERC, NERC, and DOE in understanding things such as our black start paths, our critical infrastructure, and being able to utilize the interagency, federal agencies as well as the intelligence community to help inform this decision-making. We recognize it is a very powerful tool, and it is in fact, and we will use it very thoughtfully as we move forward. The second pillar involves the establishment of a prequalification mechanism and process wherein while we identify the critical components of the system, the critical nodes within the bulk-power system and established prohibition of certain pieces of equipment, we also want to make sure that we don't disrupt the commerce flow and the capability of the asset owners and operators to make the modifications, the upgrades, and assets that are necessary. We do want to ensure that there are manufacturing capabilities that are capable of supplying the needs of the bulk-power system, and in accordance with that, through various efforts across the interfederal agency will be working to establish that prequalification, working with manufacturing companies to look toward being able to test pieces of equipment, relying on partnerships within DOE as well as our national labs, to our CESER organization as well as work that's been done by DOD and DHS and others at the federal level to incorporate all of that in determining the veracity and capability and quality of the equipment that would be able to be used in our most fruitful components of the bulk-power system. That is pillar two. Pillar three is an understanding that when we go through pillar one, we identify those things that present unacceptable risk, and having the responsibility to do due diligence to go into the existing system, identifying where we may have pieces of equipment that do pose unacceptable risk, and then working with the asset owners to mitigate that risk through monitoring, testing, and in worst case, the replacement of that piece of equipment. Again, we're working with FERC and NERC to make sure we do this in a thoughtful way, in a way that we're working with the asset owner to understand what the financial impact is, like recognizing, you know, looking at this from a national security lens, but we will be working with the asset owners to identify these locations, these potential risks to then mitigate them. That is the pillar three component. The pillar four component really allows us to ensure that we can communicate the information we learned through all of these processes. It's the establishment of a task force among the federal agencies that are instrumental in moving this executive order forward and also include the federal agencies that own both power pieces of equipment. When you think about federal hydro system, the ownership through the Department of the Interior, specifically the Bureau of Reclamations, the Department of Defense through the U.S. Army Corps, as well as TVA the federal corporation, and then through the Department of Energy, my office, with the Power Marketing Administrations. And so, all of those organizations as we move forward will be required to establish policies and procedures that will incorporate national security as a parsing component for any procurements that impact the bulk-power system moving forward. We specifically included in here the ability to work with the Electric Sector Coordinating Council and the Oil and Natural Gas Subsector Coordinating Council, and the memberships and the asset owners throughout the United States to make sure we can get all of the information that we have into the folks that own and operate the non-federal components of the system so that we can work together in a meaningful way. FERC and NERC are also participating in that task force as we move forward. One of the things I would highlight is this is a tool that is the result of all the things that Chuck earlier provided a fantastic overview of, and it is going to be something that provides us with this opportunity to really stave some of the adversarial intent that we have been dealing with, and continue to deal with. At this point I will hand it off to Michael Coe to address and highlight some of the questions that we have gotten in the recent past, and provide answers to those to give some more context to things that people are concerned about and thinking about with regard to this.

MICHAEL: Thank you for that, Bruce. We know many of you have questions or concerns about the executive order, and I wanted to take a few minutes to cover a few of the most frequently asked questions. We've heard from a number of our partners over the last week and a half, and one of the most frequent questions we received is, "What steps should stakeholders take in the coming days and weeks as DOE begins to work to implement the executive order?" We want to be clear that at this time stakeholders do not need to take

any immediate steps. The executive order is focused on ensuring the national security of critical infrastructure within the United States' bulk-power system, which as most of you are aware, is just a portion of our country's entire energy infrastructure. But before DOE can prohibit actions involving the equipment identified in the executive order, a nexus between a foreign adversary and an undue risk to the BPS critical infrastructure, the economy, the security and safety to America's national security would need to be identified, given that for many stakeholders there will be no impact. Even for the effective stakeholders, DOE will be considering procedures for mitigation measures that may allow for the use of equipment that would otherwise be prohibited. Another concern we're hearing from stakeholders is "What actions do the stakeholders need to take regarding equipment listed in the executive order that is already in the bulk-power system?" In other words, is this an immediate rip-and-replace directive?

As of today, no equipment is prohibited. The Department still needs to develop recommendations on ways to identify, isolate, monitor, or replace equipment in question while also taking into consideration overall risks to the bulk-power system. Procedures will be considered to allow otherwise prohibited items to remain on the BPS. As such, any immediate steps by owners or operators would not only be premature, but in the end may be actually unnecessary. The last issue I'd like to address is related to the recently announced Department of Commerce section 232 investigation, which looks at the effect of imports on national security. Given both the timing of the announcement of the investigation and the focus, many of you have inquired as to whether there will be any overlap between that initiative and the Department's activities related to the bulk-power system executive order. Both of those endeavors will actually be taking a close look at some of the same equipment and components, for example, transformers. As such, DOE is coordinating with the Department of Commerce's Bureau of Industry and Security, which is spearheading the investigation. We're working with both Commerce personnel in leadership and staff levels to provide not only our technical expertise as the sector-specific agency for energy, but also to avoid duplication of efforts and to make sure each organization leverages the work of the other. We know there are additional questions and concerns out there. We will endeavor to address as many of these as we can as soon as we can. Right now I want to turn it over to Meredith Braselman with the Department, who will speak to our continuing efforts to keep stakeholders up to date on developments in the coming weeks and months.

MEREDITH: Thank you, Michael, and thank you everyone for joining us today. We know you have lots of questions and would like more information. If you've not already done so, please visit the webpage that we've set up for the bulk-power system executive order at www.energy.gov/oe/bulkpowersystemexecutiveorder. On the page, you'll find a one-page overview of the executive order, a frequently asked questions document, and links to many of the reports that Assistant Secretary Walker and Deputy Assistant Secretary Kosak mentioned today. You're also welcome to contact us at BulkPowerSystemEO@hq.doe.gov. We will continue to gather questions and provide answers on our website in the coming days. Thank you so much for your time this afternoon; this concludes today's call.