



Securing the Bulk-Power System

How energy providers can identify risks and secure their supply chains in accordance with Executive Order 13920

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About Guidehouse

Guidehouse is a leading global provider of consulting services to the public and commercial markets with broad capabilities in management, technology, and risk consulting. We help clients address their toughest challenges with a focus on markets and clients facing transformational change, technology-driven innovation and significant regulatory pressure. Across a range of advisory, consulting, outsourcing, and technology/analytics services, we help clients create scalable, innovative solutions that prepare them for future growth and success. Headquartered in Washington DC, the company has more than 7,000 professionals in more than 50 locations. Guidehouse is led by seasoned professionals with proven and diverse expertise in traditional and emerging technologies, markets and agenda-setting issues driving national and global economies.

What the Executive Order Means for Utilities

Executive Order 13920, Securing the United States Bulk-Power System, declares a national emergency on the potential for compromised equipment to create and exploit vulnerabilities in the nation's bulk-power system. According to the order, certain equipment, procured from vendors or other organizations under the control or influence of foreign adversaries, presents significant risks to the economy, human health and safety, and renders the United States less capable of acting in defense of itself and its allies. While the full reach and effect of EO 13920 is unknown at this time, for energy providers, it has the potential to change asset management practices, grid planning processes, cyber and physical security strategies, and North American Electric Reliability Corporation (NERC) compliance programs.

Assessing the Supply Chain Risk

The order declares a moratorium on bulk-power system equipment (BPSE) purchases as of May 1, 2020. Within 150 days, the Secretary of Energy must establish a task force to define foreign adversaries, establish procurement prohibitions and permissions, and set other mitigation measures. In the interim, asset management programs must consider the instant moratorium on installing and purchasing equipment that may be prohibited. Asset management programs may need to establish contingency-in-depth plans, including reliance on non-wires or other alternative solutions if existing equipment fails. Bulk-power system planning will need to consider impacts from hard-to-source or long-lead-time equipment or intelligent controls and metering that may be limited in operation or eliminated altogether. Further, grid operations may be impacted by limited operability of existing or failed equipment. Customers with high voltage connections may also be vulnerable based on procurement and installation prohibitions. Existing US vendors with subsidiary or parent relationships to corporations located in foreign adversary territory may be scrutinized. And with uncertainty around the rules, there may also be financial consequences to investors and shareholders.

Executive Order 13920 validates that the supply chain risk is significant, not just from a security and reliability perspective, but from a national security perspective. Across the grid, there is a significant number of entities with no formalized vendor or product risk identification and assessment methodology in place, leaving these organizations especially vulnerable. As energy providers begin to navigate the Executive Order, Guidehouse recommends creating—or augmenting—a robust supply chain risk management program to ensure preparedness as regulations take shape.

Securing the Bulk-Power System

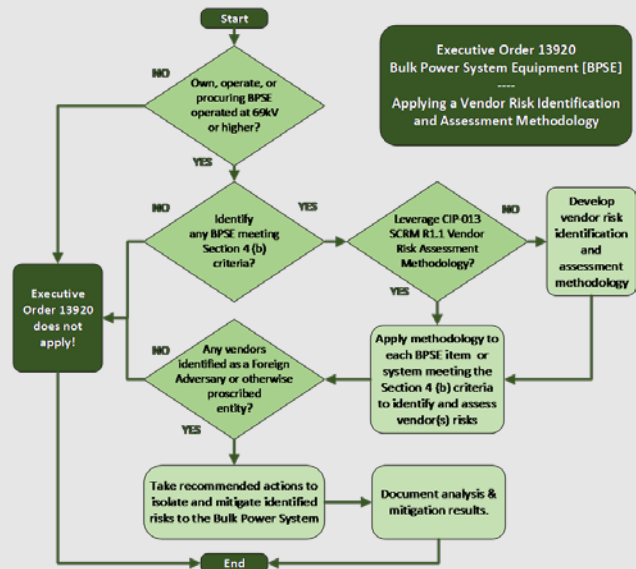
How Guidehouse Helps

Guidehouse leverages its expertise in power system operations, risk management, cybersecurity, and regulatory and compliance programs to help energy providers ensure they have a safe procurement strategy in place.

Our recommended approach includes:

- The development of a vendor risk management (VRM) plan to identify and assess vendor and product risks associated with BPSE
- The classification of BPSE components in accordance with the VRM design
- The design and implementation of feasible mitigation plans to minimize the impact on the reliability and security of the bulk-power system by identified BPSE components associated with vendors who have ties to foreign adversaries or other potentially malicious actors

Does Your Organization Need an EO 13920 Strategy?



Creating the Right Strategy

Taking steps to secure the bulk-power system begins with an inventory of control centers, transmission stations, substations, and generation sites to identify BPSE. Following the identification of each applicable BPSE component or supporting system, a rigorous review of each component to identify the primary vendor and secondary vendors should be pursued. Taking this proactive action to identify and classify BPSE vendors is a critical component to EO 13920 preparedness and reveals a utility's exposure as well as its subsequent risk to the grid via vendors that are designated as foreign adversaries or other potentially malicious actors. Once the BPSE inventory and vendor risk identification and assessment is complete, utilities should develop a mitigation strategy that allows suspect BPSE components to be identified, isolated, monitored, or replaced, taking into consideration overall risk to the bulk-power system. Utilities should also consider creating or updating any existing business continuity plans, disaster recovery plans, and emergency operating plans to enhance their ability to recover as soon as possible from an incident created through the exploitation of vulnerabilities in applicable BPSE components.

Experts in Supply Chain Risk Management

Collectively, Guidehouse's experts have over 435 years of electrical industry experience with power system operations, cybersecurity, information technology, and regulatory and compliance programs. In that total, team members have accumulated 150 years of specific experience with FERC, NERC, and regional regulatory and compliance programs, including supply chain vendor and product risk identification and assessment programs. Contact us today to learn how we partner with energy providers to effectively prepare for EO 13920 and more.