

NERC

NORTH AMERICAN ELECTRIC
RELIABILITY CORPORATION

2024 Business Plan and Budget

Draft

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RELIABILITY | RESILIENCE | SECURITY



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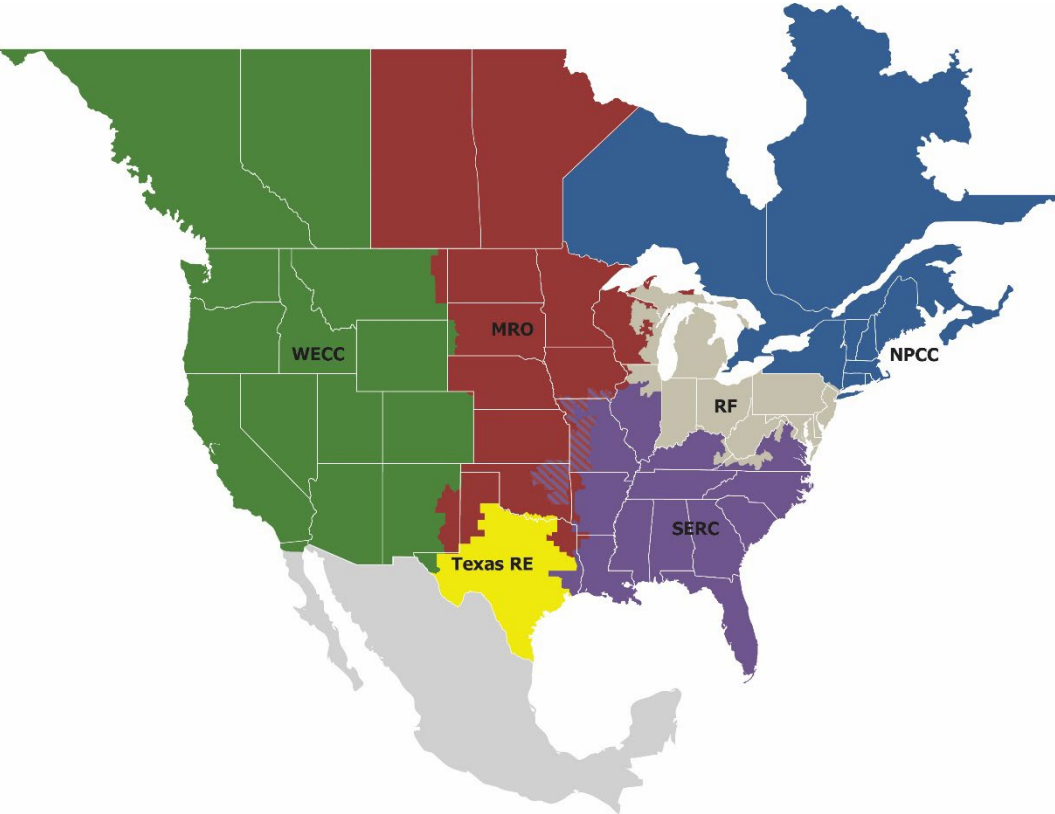
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Preface

Electricity is a key component of the fabric of modern society and the Electric Reliability Organization (ERO) Enterprise serves to strengthen that fabric. The vision for the ERO Enterprise, which is comprised of the North American Electric Reliability Corporation (NERC) and the six Regional Entities, is a highly reliable and secure North American bulk power system (BPS). Our mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid.

Reliability | Resilience | Security
Because nearly 400 million citizens in North America are counting on us

The North American BPS is divided into six Regional Entity boundaries as shown in the map and corresponding table below. The multicolored area denotes overlap as some load-serving entities participate in one Region while associated Transmission Owners/Operators participate in another.



MRO	Midwest Reliability Organization
NPCC	Northeast Power Coordinating Council
RF	ReliabilityFirst
SERC	SERC Reliability Corporation
Texas RE	Texas Reliability Entity
WECC	Western Electricity Coordinating Council

About NERC

Overview

The North American Electric Reliability Corporation (NERC) is a not-for-profit entity organized under the New Jersey Nonprofit Corporation Act. NERC's area of responsibility spans the continental United States and portions of Canada and Mexico. Entities under NERC's jurisdiction are the users, owners, and operators of the bulk power system (BPS)—a system that serves the needs of nearly 400 million people.¹

Electric Reliability Organization

The Federal Energy Regulatory Commission (FERC) certified and has oversight of NERC as the Electric Reliability Organization (ERO) within the United States to establish and enforce NERC Reliability Standards for the U.S. portion of the BPS, pursuant to Section 215 of the Federal Power Act (FPA). As of June 18, 2007, FERC granted NERC the legal authority to enforce Reliability Standards with all U.S. users, owners, and operators of the BPS and made compliance with those standards mandatory and enforceable. Section 215 also requires that the organization certified by FERC as the ERO seek recognition with relevant authorities in Canada and Mexico. In 2005, the U.S. Department of Energy and Canadian federal and provincial governments agreed to bilateral principles for a consistent, continent-wide reliability regulatory framework under a non-governmental institution (the ERO) designed to function on an international basis. To date, NERC has memoranda of understanding (MOUs) with eight Canadian provinces² and the Canada Energy Regulator in furtherance of this framework. NERC works with the Mexican regulator, *Comision Reguladora de Energía*, and the Mexican system and market operator, *CENACE*, under a MOU signed in 2017 to ensure consistency with the framework in Canada and the United States.

Membership and Governance

A 12-member Board of Trustees (Board), comprised of 11 independent trustees and NERC's president and chief executive officer serving as the management trustee, governs NERC. The Board has formed several committees to facilitate oversight of the organization in the areas of finance and audit, corporate governance and human resources, compliance, technology and security, nominations, and enterprise-wide risk.

Membership in NERC is open to any person or entity that has an interest in the reliability of the North American BPS. Membership is voluntary and affords participants the opportunity to engage in the governance of the organization, including through election to the Member Representatives Committee (MRC).³ NERC, its members, and each applicable BPS owner, operator, and user must comply with the NERC [Rules of Procedure](#) (ROP).

¹ Standards, compliance, and enforcement activities focus on the [Bulk Electric System \(BES\)](#), comprised of certain BPS facilities.

² British Columbia, Alberta, Saskatchewan, Manitoba, Ontario, Quebec, New Brunswick, and Nova Scotia

³ The [MRC](#) comprises voting representatives elected from 12 membership sectors. The MRC elects the independent trustees and, along with the Board, votes on amendments to the bylaws. The MRC also provides advice and recommendations to the Board on behalf of stakeholders with respect to annual budgets, business plans, and other matters pertinent to the purpose and operation of the organization.

Scope of Oversight

As the international, multijurisdictional ERO in North America, NERC:

- Proposes, supports the development of, monitors compliance with, and enforces mandatory Reliability Standards for the North American BES, subject to regulatory oversight and approvals from FERC in the United States and applicable authorities in Canada
- Conducts near-term and long-term reliability assessments of the North American BPS
- Certifies BPS operators as having the knowledge and skills to perform reliability responsibilities
- Maintains situational awareness of events and conditions that may threaten BPS reliability
- Coordinates efforts to improve physical and cyber security for the BPS of North America
- Conducts detailed analyses and investigations of system disturbances and events as well as measures ongoing trends to determine root causes, uncover lessons learned, and issue findings as recommendations, guidelines, and actions to mitigate and control risks to reliability
- Identifies and prioritizes risks to reliability and uses a broad toolkit to mitigate and control risks to reliability, including the potential need for new or modified Reliability Standards, improved compliance monitoring and enforcement methods, or other initiatives

Delegated Authorities

In executing its responsibility, NERC delegates certain authorities to the six Regional Entities to perform aspects of the ERO functions described through delegation agreements, which are approved FERC. These agreements describe the authorities delegated and responsibilities assigned to the Regional Entities in the United States to address, among other things: (1) developing regional Reliability Standards; (2) monitoring compliance with and enforcement of Reliability Standards (both North American-wide and regional); (3) registering owners, operators, and users of the BES and certifying reliability entities (Reliability Coordinators, Balancing Authorities, and Transmission Operators); (4) assessing reliability and analyzing performance; (5) training and education; (6) event analysis and reliability improvement; and (7) situation awareness and infrastructure security. NERC expects Regional Entities whose territories and geographic footprints extend into Canadian provinces and Mexico to perform equivalent functions in those jurisdictions.

Statutory and Regulatory Background

NERC's authority as the ERO in the United States is based on FPA Section 215, as added by the Energy Policy Act of 2005,⁴ and FERC's regulations and orders pursuant to Section 215. In Canada, NERC's authorities are established by MOUs and regulations previously mentioned. In this Business Plan and Budget (BP&B), *Exhibit A – Application of NERC Section 215 Criteria* summarizes the major activities NERC proposes to undertake in 2024 and the approved FPA Section 215 criteria applicable to such activities.⁵

Funding

FPA Section 215 and FERC's regulations specify procedures for NERC's funding in the United States. NERC's annual BP&B is subject to FERC approval and, once approved, NERC's annual funding is provided primarily through assessments to load-serving entities. These assessments are allocated on a net-energy-for-load (NEL) basis. Equivalent funding mechanisms are provided in Canada, subject to the specific laws and regulations of each province. Regional Entity funding requirements are addressed separately in their respective BP&Bs, which must be reviewed and approved by NERC and FERC.

⁴ Section 215 of the FPA, 16 United States C. 824o.

⁵ North American Electric Reliability Corporation, Order on Compliance, 143 FERC ¶ 61,052 (2013).

ERO Enterprise Model and Transformation

The vision of the ERO Enterprise, which is comprised of NERC and the six Regional Entities, is a highly reliable and secure North American BPS. Its mission is to assure the effective and efficient reduction of risks to the reliability and security of the grid. The ERO Enterprise is a collaborative group of organizations with distinct roles between NERC and the Regional Entities. The ERO Enterprise strives for consistency where necessary, but recognizes that each Regional Entity addresses reliability in unique ways based on its own challenges and stakeholder needs. This model effectively blends a continent-wide scope with flexibility and responsiveness, and provides the resources to tackle emerging issues while simultaneously enabling innovative and distinctive approaches to reliability risks and challenges.

Within the ERO Enterprise model, NERC has unique responsibilities to oversee ERO program areas, set qualifications and expectations for the performance of delegated activities, and assess, train, and give feedback to corresponding Regional Entity programs. The Regional Entities have a mirrored set of responsibilities, providing input into the overall development of each program area, providing training and development to meet qualifications, and ensuring delegated functions are completed. Both NERC and the Regional Entities have an obligation to meet professional standards of independence and objectivity.

As the ERO Enterprise continues to mature, the organization is working on a transformation initiative to further leverage resources, enhance communication and collaboration, and ensure grid reliability. A set of declarations have been established, committing the ERO Enterprise to:

- Work together as one team and honor each of its roles
- Actively support ERO Enterprise activities while eliminating unnecessary duplication of work
- Collaborate to develop clear and consistent guidance across the ERO Enterprise
- Share information, knowledge, and resources across the ERO Enterprise
- Develop and share harmonized messages across ERO Enterprise communications
- Support innovation, initiatives, and the sharing of best-practices across the ERO Enterprise

Building upon these commitments, the ERO Enterprise is guided by the value drivers shown in the graphic below and engages in a collaborative process to accelerate its transformation through diverse activities, including ERO Enterprise-wide town halls, joint leadership training sessions, and work among ERO Enterprise Collaboration Groups.



ERO Enterprise Strategic and Operational Planning

NERC and the Regional Entities are continually refining their individual and collective operating and governance practices in support of strategic and operational goals and objectives that are designed to ensure the ERO fulfills its statutory obligations. This collaboration is done while acknowledging the unique differences across the Regional Entities, and the different corporate and governance responsibilities of each entity.

In 2019, ERO Enterprise leadership revised the [ERO Enterprise Long-Term Strategy](#) as part of an effort to streamline its strategic and operational documents and to ensure alignment with the BPS risks identified by NERC's Reliability Issues Steering Committee (RISC). This strategy, which was approved by the Board on December 12, 2019, includes the following strategic focus areas:

1. Expand risk-based focus in all standards, compliance monitoring, and enforcement programs
2. Assess and catalyze steps to mitigate known and emerging risks to reliability and security, leveraging the RISC's biennial [ERO Reliability Risk Priorities Report](#)
3. Build a strong, Electricity Information Sharing and Analysis Center-based security capability
4. Strengthen engagement across the reliability and security ecosystem in North America
5. Capture effectiveness, efficiency, and continuous improvement opportunities

As part of the business planning and budgeting process, NERC and the Regional Entities each have their own priorities and strategic focus areas, but continually come together to ensure alignment with the long-term strategy and harmonization across the ERO Enterprise where appropriate.

Since risks to reliability and security are fluid and can be impacted by recent events, NERC and each Regional Entity may also create annual work plan priorities that summarize the most critical goals and objectives for the year. In many cases, these work plan priorities are also used for individual, departmental, and company performance measurement.

Introduction and Executive Summary

Background

Historical Budget and Assessment Increase Overview

For the 10-year period prior to the 2023–2025 plan discussed below, NERC’s average annual budget and assessment increase has been 5.7%. NERC incurred significant costs on behalf of the Electric Reliability Organizations (ERO) Enterprise during this time period, including the Cyber Risk Information Sharing Program (CRISP) addition in 2015, the Electricity Information Sharing and Analysis Center (E-ISAC) program expansion in 2019, and the Align and ERO Secure Evidence Locker (SEL) system implementations. The 2021 budget and assessment were flat as a result of the temporary deferral of costs and projects in an effort to provide industry assessment relief through the financial uncertainty associated with the pandemic.

	2013	2014	2015 ⁽¹⁾	2016	2017	2018	2019 ⁽²⁾	2020	2021	2022 ⁽³⁾	Avg Annual
NERC Total Budget (millions)	\$54.3	\$56.4	\$66.7	\$67.2	\$69.6	\$73.1	\$79.9	\$82.7	\$82.9	\$88.8	
Annual Increase %		3.9%	18.3%	0.7%	3.6%	5.0%	9.3%	3.5%	0.2%	7.1%	5.7%
NERC Assessment (millions)	\$47.6	\$51.4	\$55.3	\$57.1	\$59.9	\$62.9	\$68.9	\$72.0	\$72.0	\$78.4	
Annual Increase %		8.0%	7.6%	3.3%	4.9%	5.0%	9.5%	4.5%	0.0%	8.9%	5.7%

⁽¹⁾ 2015 Budget increase includes addition of CRISP program (\$9 million)

⁽²⁾ Budgets in 2019 and prior years do not include net financing activity

⁽³⁾ 2022 Budget, as amended for Atlanta office transition costs

2023–2025 Strategic and Business Planning

From compromised supply chains and cyber breaches to record weather-related events, there has been an alarming increase in reliability, resilience, and security risks to the bulk power system (BPS). The industry is facing an absolute step change in the risk environment surrounding reliability and security. Three key challenges include:

- **Rapidly changing resource mix**
 - Retirements of synchronous generation and unbundling of essential reliability services
 - Interdependencies between the electric and natural gas systems
 - Uncertainties and engineering challenges resulting from the integration of more energy-constrained asynchronous inverter-based and distributed energy resources on the grid
- **Extreme weather**
 - Extreme, not infrequent
 - More widespread, more extreme, and of longer duration
 - Weather that at one time was not considered extreme can have extreme impacts on resource availability (e.g., long-term cloud cover, smoke, little/too much wind, etc.)
- **Rapidly evolving threat landscape**
 - Software vulnerabilities
 - Supply chain attacks
 - Ransomware
 - Physical attacks

In support of the ERO Enterprise’s mission to assure the effective and efficient reduction of risks to the reliability and security of the grid, and with consideration to the extraordinary costs to nearly 400 million North American citizens if responsive and preventive measures are not taken to address these risks, NERC developed a three-year plan to focus on investments where the ERO can most influence change.

In the last quarter of 2021, NERC leadership and the Board of Trustees (Board) came together to align on strategic priorities and focus areas for 2023–2025, and conducted extensive outreach with stakeholders to gain feedback. In parallel, NERC leadership developed budget assumptions to support the three-year plan, which were shared in detail with the Board and discussed with key stakeholders, including the Member Representatives Committee (MRC) Business Plan and Budget (BP&B) Input Group, the E-ISAC’s Member Executive Committee (MEC), and industry trades and forum representatives.

NERC’s plan for 2023–2025 does the following:

- Ensures NERC has the resources to address two critical emerging risks to BPS reliability, resilience, and security while leveraging the work of key partners:
 - Evolving energy availability concerns as the resource mix changes and climatic conditions become more extreme
 - Heightened cyber-security and physical risks driven by supply chain vulnerabilities occurring at an unprecedented rate
- Retools NERC’s approach to mitigating risk through a more nimble, standard setting process that honors the important role of stakeholders in Reliability Standards development
- Invests in NERC’s own infrastructure to reduce enterprise and cyber risks related to business activities and systems and create a more sustainable organization

The 2023–2025 plan’s value proposition:

- Provides the framework and plans for NERC and the industry to get ahead of key grid transformation risks by defining key performance outcomes
- Is responsive to key needs of the security role envisioned for the E-ISAC expressed by industry through the MEC and government partners, including the Department of Energy and its Office of Cybersecurity, Energy Security, and Emergency Response
- Leverages technology and expertise to drive more comprehensive analytics around reliability assessments (i.e., more complete assessments of energy availability) and key institutional risks (e.g., improving the cyber security posture of NERC’s own systems and applications)
- Creates the capacity for better analytics and focus to manage and improve the productivity of NERC’s back-office systems while reducing risk of human error due to current manual processes
- Continues a strong focus on driving efficiency while assuring effectiveness of ERO programs and embedding risk-informed thinking into programs and processes

The plan is centered on four strategic areas of focus:

- **Energy:** Tackle the challenge of grid transformation and climate change-driven, extreme weather
- **Security:** Move the needle by focusing on supply chain, Information Technology (IT) and Operational Technology (OT) system monitoring, cyber design, and evolution of the Critical Infrastructure Protection (CIP) Standards

- **Agility:** Tool the company to be more nimble in key areas, particularly standards development and internal operational processes
- **Sustainability:** Invest in ERO systematic controls, eliminate single points of failure, strengthen succession planning, and ensure robust cyber security protections for all systems

With the 2023–2025 plan NERC proposed higher than historical average budget and assessment increases over this time period. However, the corresponding financial strategy included use of (1) project and equipment financing and (2) reserve releases in 2023 and 2025 to smooth the assessment impact of the budget increases.

\$ millions

	2022 ⁽¹⁾	2023	2024	2025	Notes
Annual Total Budget	\$88.8	\$101.0	\$110.1	\$122.6	
<i>\$ annual increase</i>	\$5.9	\$12.2	\$9.1	\$12.5	
<i>% annual increase</i>	7.2%	13.7%	9.0%	11.4%	Annual avg. 2023-2025 11.4%
Annual Total Assessment	\$78.4	\$87.1	\$97.2	\$108.0	
<i>\$ annual increase</i>	\$6.4	\$8.7	\$10.1	\$10.8	
<i>% annual increase</i>	8.9%	11.1%	11.6%	11.1%	Annual avg. 2023-2025 11.3%
Recommended Reserve Usage		\$2.0		\$0.5	

⁽¹⁾ 2022 budget includes amendment for Atlanta office lease costs (funded by reserves)

The detailed 2023 budget and 2024 and 2025 projections supporting the 2023–2025 plan were included in the 2023 BP&B, which was approved by the Federal Energy Regulatory Commission (FERC) on November 2, 2022.⁶

Investment Benefit and Performance Reporting

Given the significant investments proposed in the 2023–2025 plan, NERC is committed to reporting on the value and progress of the activities associated with these investments. Success is measured through accomplishment of the annual Work Plan Priorities, which includes initiatives that support the four strategic areas of focus discussed above.⁷ NERC leadership reports on the progress of these initiatives throughout the year and provides a comprehensive mid-year and end-of-year update to the Board on Work Plan Priority status, challenges, and accomplishments.

⁶ Order Accepting 2023 Business Plans and Budgets and Directing Compliance Filing 181 FERC ¶ 61,095 (2022)

⁷ The [2023 ERO Enterprise Work Plan Priorities](#) were approved by the Board in November 2022.

2024 Business Plan and Budget Overview

TOTAL RESOURCES (in whole dollars)				
	2024 Budget	U.S.	Canada	Mexico
Statutory FTEs	246.44			
Non-statutory FTEs	-			
Total FTEs	246.44			
Statutory Expenses	\$ 108,614,261			
Non-Statutory Expenses	\$ -			
Total Expenses	\$ 108,614,261			
Statutory Fixed Asset Additions	\$ 4,624,000			
Non-Statutory Fixed Asset Additions	\$ -			
Total Fixed Asset Additions	\$ 4,624,000			
Statutory Funding(Use) of Reserves	\$ (213,996)			
Non-Statutory Funding of Reserves	\$ -			
Total Change in Working Capital	\$ (213,996)			
Net Proceeds from Financing Activities	\$ (2,594,260)			
Total Statutory Funding Requirement	\$ 110,430,005			
Total Non-Statutory Funding Requirement	\$ -			
Total Funding Requirement	\$ 110,430,005			
	TOTAL	US	CANADA	MEXICO
Statutory Funding Assessments	\$ 96,991,218	TBD	TBD	TBD
Non-Statutory Fees	\$ -	\$ -	\$ -	\$ -
NEL	-	TBD	TBD	TBD
NEL%	0.00%	TBD	TBD	TBD

Budget Reporting Format and Presentation

NERC and the Regional Entities' budgets are comprised of both operating and fixed asset additions (fixed assets, or capital) costs as well as financing activity, if applicable. Operating costs generally include personnel, contractor support, consulting, meetings, travel, office space, software licensing, communications, and other customary services to support office operations. Fixed assets primarily reflect investments in equipment, infrastructure, and software applications to support business operations and improve efficiency. These operating and fixed asset costs, as well as corresponding funding and financing activity, are shown on a Statement of Activities report (SOA report) in this document, which is provided at both the total organization and department levels. These reports include funding, expenses, and financing activity for the current budget year and prior budget year to show year-over-year changes.

Overview of 2024 Budget and Funding Requirements

NERC's 2024 expense and fixed assets budget, including financing activity, is approximately \$110.6M, which is an increase of approximately \$9.6M (9.5%) from the 2023 budget. Total expenses are increasing approximately \$11.0M (11.3%) over 2023. The total fixed assets budget is approximately \$4.6M, a decrease of \$1.6M (25.7%) from 2023. The fixed assets budget includes the acquisition of \$1.8M in capital lease assets (primarily for equipment replacements), offset by corresponding lease proceeds reflected in financing activity. NERC is also proposing to finance \$2.4M of capital software expenditures in 2024, which is reflected by corresponding loan proceeds in financing activity. Approximately \$12.8M (11.6%) of NERC's 2024 budget is related to CRISP, with 78.7% of the CRISP budget funded by participating utilities and the majority of the remainder funded through assessments. See *Section A – Electricity Information Sharing and Analysis Center* for more information on CRISP funding.

NERC's proposed 2024 assessment is approximately \$97.0M, which is an increase of approximately \$9.9M (11.4%) from the 2023 assessment. Factors contributing to the difference between the 2024 budget and assessment include assumptions on other funding sources, such as third-party funding for CRISP and fees collected to fund the System Operator Certification and Credential Maintenance program. The proposed assessment does not include any release of reserves. The allocation of the assessment among U.S. and Canadian entities will be impacted by the final determination of credits for certain costs for Canadian entities pursuant to *NERC's Expanded Policy on Allocation of Certain Compliance and Enforcement Costs*.⁸

2024 Budget Assumptions

Below is an overview of key 2024 assumptions, including changed assumptions from the 2024 projection included in the 2023 BP&B. Overall, the 2024 budget increase is approximately \$500k over the prior year projected increase, which is the net result of increased personnel costs and reductions in other areas. The 2024 assessment is \$200k below the prior year projected increase due to assumed higher investment earnings that are offsetting the budget increase and reducing statutory funding requirements.

People Strategy

NERC is a knowledge-based organization. As the challenges to the reliability and security of the BPS evolve at the same time as the competition for talent increases, NERC's ability to retain, engage, and attract top talent is critical. NERC's people strategy for the 2023–2025 plan employs the following high-level workforce planning process:

- Identify the skills needed to support the four areas of focus
- Consider existing staff skillsets and succession planning
- Identify (1) gaps between current and needed skills, (2) single threaded positions, (3) how to further optimize current resources, and (4) progress on current year Work Plan Priorities

⁸ *North American Electric Reliability Corp.*, Docket No. RR08-6-000, Attachment 16 (filed August 22, 2008)

- Create a plan to fill gaps using the following strategies:
 - Build – Develop current staff in the time frames needed
 - Borrow – Use contractors and consultants
 - Buy – Identify future full-time equivalent (FTE) requests
 - Outsource – Outsource necessary functions that are not core to NERC’s mission
- Continually monitor and appropriately adjust plans to ensure business objectives are met

In 2024, NERC anticipates hiring 12 additional employees (11.3 FTEs, which incorporates a 6.0% vacancy rate) to support the four strategic areas of focus, primarily under Security and Energy, which is consistent with the projected FTE increase for 2024 included in the 2023 BP&B. This is offset by the reduction of two open positions as part of resource optimization and efficiency efforts. FTEs are discussed in further detail in the *2024 Program Budget and FTE Comparisons* section below.

The 2024 personnel budget includes increases to salaries, health insurance, and other benefits. NERC’s employee base consists primarily of professional skilled labor, with a relatively high concentration of cyber security and Information Technology (IT) employees. NERC competes for talent in the energy, high tech, cyber-security, and non-financial services sectors of the broader job market. In addition to the supply and demand for certain roles, inflation has played a factor in setting overall salary and cost of labor increases. For 2024, NERC is assuming a weighted average budgeted salary increase of 5.5%, which is consistent with the previous year’s projection. Medical and dental insurance premium cost estimates are based on market data provided by the company’s benefits consultant and do not assume any plan changes. No other changes to retirement or other benefit plans have been assumed.

While FTE counts and salary rate increases are consistent with prior year projections, personnel costs have increased \$800k in 2024 over the prior projection primarily due to base salary inflation and higher medical insurance estimates. A breakdown of 2024 personnel expenses is provided in *Table B-4 – Personnel*.

Technology Strategy

NERC’s technology strategy for the 2023–2025 plan addresses ever-emerging cyber security risks, enables agile business processes, mitigates ERO Enterprise and corporate risks, and delivers long-term benefits across the program areas. This plan aligns with the four strategic areas of focus, and adheres to the following:

- Flexible: Responsive to emerging issues (e.g., cyber) by shifting investments and priorities
- Measureable: Large investments are vetted through the IT Investment Review Policy and Procedure for justification and expected benefits
- Business-unit driven: Investments are mapped to the NERC program areas and support primary mission objectives
- Aligned to key business drivers: Each investment is linked to a key set of business drivers that align with the ERO Enterprise value drivers (see page vi above)

NERC’s technology strategy uses a “Solutions Hub” concept, which, to the extent possible, centers on Commercial off the Shelf applications such as the Microsoft xRM Dynamics Customer Relationship Management (CRM) platform, Governance Risk and Compliance, along with other Software as a Service platforms to configure ERO Enterprise technology solutions. The Solutions Hub is supported by both on premises and specialized infrastructure, surrounded by best-in-class cyber-security tools.

The flexibility of the 2023–2025 plan allows for reprioritization of investments as requirements develop and the risk and cyber threat environment changes. As such, technology investments are overall consistent with the technology investment level included in the 2024 projection in the 2023 BP&B.

Currently, key investments planned for 2024 include:

- **ERO Portal upgrade.** The ERO Portal is the central hub for requesting access to various ERO Enterprise applications (e.g., The Event Analysis Management System (TEAMS), MisOperations Information Data Analysis System (MIDAS), User Management and Records (UMR), along with a host of other ERO Enterprise applications). Originally constructed in 2015, the ERO Portal will be upgraded to take advantage of a host of new capabilities with the primary focus on security and ease of use for stakeholders.
- **CRM Platform modernization.** Much like the ERO Portal, the CRM platform is where the majority of the aforementioned ERO Enterprise applications reside, with the ERO Portal being the central hub for requesting access. Originally installed in 2015, the CRM platform will be upgraded to enhance security and provide more capabilities as the ERO Enterprise application footprint expands on the platform, including the Reliability Assessment Data System (RADS) and Registered Entity Bulk Electric System (BES) Generation and Transmission (G&T) Inventory solutions discussed below.
- **RADS.** Each year, NERC is responsible for independently assessing and reporting on the overall reliability, adequacy, and associated risks that could impact the upcoming summer and winter seasons as well as the long-term, 10-year period. Additionally, as emerging risks and potential impacts to reliability are identified, special assessments are conducted. NERC is undertaking a two-phased effort to automate the collection, management, and analysis of reliability assessment data. The first effort planned for 2024 is a refinement of collection procedures. The subsequent phase will include the implementation of a technical solution that will support these refinements.
- **Registered Entity BES G&T Inventory.** ERO Enterprise tracking of registered entity BES assets is currently performed in a number of disparate systems supporting focused business processes, each with their own perspective on assets. This effort will begin with significant emphasis on standardizing asset collection, including unique identification, consistent asset descriptions, and verification against a master asset system. A component of this master system will be available to registered entities so they can manage and validate their asset inventory, and will increase efficiencies by reducing data collection efforts.
- **Enterprise Analytics.** The Enterprise Analytics program is a multi-faceted effort focused on: (1) increasing data analytics capabilities across the ERO Enterprise; (2) implementing data quality measures within the ERO Enterprise environment to ensure data is trustworthy and available; and (3) creating a framework for the highly secured movement of data within the ERO Enterprise. Efforts include integrations, data modeling, data curating, and reports creation.
- **Atlanta Collaboration Space.** In similar fashion to the creation of the Washington, D.C., office collaboration space, NERC will undertake an initiative to determine the needs of NERC employees and stakeholders to identify the most appropriate and accommodating collaboration and meeting space for the Atlanta office location, including supporting network and audio visual requirements.
- **Finance & Accounting System implementation.** In 2024, NERC will continue implementation of a more modern, integrated Finance & Accounting system that will support NERC’s strategic focus areas related to Agility and Sustainability. This includes better support for reporting requirements, improved efficiency of internal business processes and financial data available to NERC staff, and an enhanced internal controls environment.

- **NERC Public Website upgrade.** As part of ongoing efforts to make NERC the trusted, independent voice for reliability, the NERC public website, originally constructed and implemented in 2014, will undergo an upgrade in 2024 and 2025. The new site will take advantage of improved technology to enhance the user experience—more intuitive design for ease of use, targeted information for stakeholders, metrics to inform decisions and assess impact, as well as more contemporary branding to attract new talent.
- **Identity Governance & Administration (IGA) phase two.** Phase two of implementation of IGA will include external accounts that access the ERO Enterprise applications such as TEAMS, MIDAS, and UMR, along with a number of other ERO Enterprise applications. Implementation will be in concert with the ERO Portal upgrade to enhance security of external accounts accessing ERO Enterprise applications to ensure they have been fully vetted and to ensure that roles are clearly defined based on the principle of least privilege.
- **ERO SEL Development Environment.** Construction of an ERO SEL development environment is planned for 2024. Given the significance and highly secure nature of the production SEL environment, it is imperative that any changes made to production are thoroughly documented and tested in a development environment.
- **Additional Cyber Security enhancements.** In addition to the IGA and ERO SEL security investments, additional security enhancements are slated to improve NERC’s control environment and reduce the cyber risk to the organization, including additional Data Management and Loss Prevention expansions, maturing endpoint user device protections such as Extended Detection and Response, and Enterprise Virtual Desktops.

Meetings and Travel

While more virtual and hybrid options are available, meeting and travel costs are increasing. In 2024, the increase for meetings and travel is 4.9% higher than what was projected for 2024 in the 2023 BP&B, and marks the return to pre-pandemic levels. Budget pressures are anticipated in this area as inflation impacts travel-related costs and requests for NERC engagement and attendance at events increases. A breakdown of 2024 meetings and travel expenses is provided in *Table B-5 – Meetings & Travel*.

Facilities and Rent

Rent expense in 2024 for both NERC offices are based on annual cash rent payments, net of any pro-rated spread of free rent incentives or excess tenant improvement allowances. The lease for NERC’s office in Atlanta expires in 2025 and, similar to the 2025 projection in the 2023 BP&B, the 2025 projection in the 2024 BP&B includes estimated one-time costs associated with a potential Atlanta office relocation. A breakdown of 2024 rent expenses is provided in *Table B-7 – Rent*.

CRISP

The contract with the Pacific Northwest National Laboratory (PNNL) currently matches the previous year projection for 2024. However, this is an estimate due to timing of communication of the PNNL 2024 statement of work and, therefore, is subject to change for the final 2024 BP&B. Any changes to the assumption will not impact assessments since the PNNL contract is completely participant-funded. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on CRISP.

Fixed Asset Budget and Capital Financing

NERC’s fixed assets budget includes IT equipment and servers, including leased equipment (capital lease assets) as part of infrastructure investments to support operational sustainability. The fixed assets budget also includes capital software projects related to the technology investments noted above. A breakdown of 2024 fixed asset addition expenditures is provided in *Table B-12 – Fixed Assets*.

Budgeted borrowing in 2024 is approximately \$4.2M, which is slightly higher (~\$100k) than the prior year projection. The fixed assets budget includes the acquisition of \$1.8M in capital lease assets (primarily for equipment and server replacements, and also for ERO SEL Development Environment equipment), offset by corresponding lease proceeds in financing activity. NERC is also proposing to finance \$2.4M of the total \$2.7M fixed assets budget for capital software expenditures in 2024, which is reflected as loan proceeds in financing activity.

Principal payments are reduced over the prior year projection for 2024 due to the expectation of borrowing \$1.0M less in 2023 than what was projected, and the timing of future loan borrowing assumed to be later in the year. This is partially offset by higher interest rate assumptions. Further information on NERC's capital financing program can be found in *Exhibit B – Capital Financing*.

2024 Program Budget and FTE Comparisons

The following table shows a 2024 versus 2023 total budget comparison by program area. The amounts reflect all direct departmental costs, including fixed asset expenditures and financing activity. The amounts also reflect indirect costs incurred for Corporate Services (formerly called Administrative Programs), which are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. See *Section A – Corporate Services* for more discussion on this allocation method.

2024 versus 2023 Total Budget by Program

Total Budget	2023 Budget	2024 Budget	Increase (Decrease)	
Reliability Standards & PRISM	\$ 10,349,112	\$ 11,589,688	\$ 1,240,577	12.0%
CMEP	21,268,510	23,236,296	1,967,787	9.3%
RAPA	18,154,510	19,902,716	1,748,206	9.6%
Event Analysis	4,107,435	4,834,641	727,206	17.7%
Situation Awareness	6,010,996	6,644,481	633,485	10.5%
Personnel Certification	1,961,763	2,050,082	88,319	4.5%
Training and Education	1,123,146	1,173,727	50,581	4.5%
NERC Budget, excluding E-ISAC	\$ 62,975,472	\$ 69,431,633	\$ 6,456,160	10.3%
E-ISAC (non-CRISP)	\$ 26,118,401	\$ 28,376,967	\$ 2,258,566	8.6%
E-ISAC (CRISP)	11,907,740	12,835,401	927,661	7.8%
Total E-ISAC Budget	\$ 38,026,141	\$ 41,212,368	\$ 3,186,227	8.4%
Total Budget	\$ 101,001,613	\$ 110,644,001	\$ 9,642,388	9.5%

The 2024 budgets for all program areas are increasing over 2023 primarily due to one or a combination of the following: (1) assumptions related to the personnel discussed above, particularly incremental FTEs (see table below), which, for some programs, may also result in higher allocations of costs from the Corporate Services departments, and (2) projects related to technology projects discussed above, of which a significant portion are budgeted in the Business Technology area and allocated to the statutory program departments. Further information on the statutory program and Corporate Services budgets is available in *Section A – 2024 Business Plan and Budget Program Area and Department Detail*.

The following table presents a 2024 versus 2023 comparison of budgeted FTEs by department, reflecting 2024 additions, reallocations, and attrition assumptions. The number of FTEs represents the number of employees employed full time during the year, plus any employees employed part time or during a portion of the year, converted to a full-time basis. Also see *Appendix 1 – NERC Staff Organization Chart*.

2024 versus 2023 FTEs by Department

FTEs	2023 Budget	2024 Budget	Increase (Decrease)	
Reliability Standards & PRISM	19.74	20.82	1.08	5.5%
CMEP	34.78	34.78	-	0.0%
RAPA	29.14	30.64	1.50	5.2%
Event Analysis	6.58	7.61	1.03	15.7%
Situation Awareness	7.52	8.55	1.03	13.8%
Personnel Certification	2.82	2.87	0.05	1.7%
Training and Education	1.88	1.88	-	0.0%
Corporate Services	88.55	90.82	2.27	2.6%
NERC FTEs, excluding E-ISAC	191.01	197.98	6.97	3.6%
E-ISAC (non-CRISP)	40.14	41.69	1.55	3.9%
E-ISAC (CRISP)	5.73	6.77	1.03	18.0%
Total E-ISAC FTEs	45.87	48.46	2.59	5.6%
Total FTEs	236.88	246.44	9.56	4.0%

To support the areas of focus, NERC is adding 12 new positions (see People Strategy section discussion above), or 11.28 FTEs in 2024. The total increase of FTEs in 2024 versus 2023 is 9.56, which is the net result of the additions, the reduction of two open positions as part of resource optimization and efficiency efforts, and assumptions of hiring dates throughout the year. The table above reflects these additions and reductions as well as inter-departmental reallocations as follows:

- Reliability Standards & Power Risk Issues and Strategic Management (PRISM) – The increase of 1.08 FTEs is primarily the net result of the addition of two positions related to the Energy focus area for standards development and technical expertise support, offset by the reallocation of one position to the Reliability Assessment and Performance Analysis (RAPA) area.
- Compliance Monitoring and Enforcement Program (CMEP) – FTEs are flat, which is the net result of the addition of one position related to the Agility focus area for increased enforcement analysis support, and the combination of two positions into one in the Compliance Assurance and Organization Registration programs as part of ongoing resource efficiency efforts.
- RAPA – The increase of 1.50 FTEs is primarily due to the reallocation of one position from Reliability Standards & PRISM to RAPA.
- Event Analysis and Situation Awareness – The increase of 1.03 FTEs for each program is primarily due to the addition of one position for each related to the Energy focus area for increased Event Analysis and Situation Awareness program support.
- E-ISAC and CRISP – The increase of 2.59 FTEs is the net result of the addition of four positions related to the Security focus area for increased analytical capabilities, membership support, and CRISP enhancement and expansion, and a slight reduction in the direct allocation of dedicated Business Technology staff costs to E-ISAC and CRISP.
- Corporate Services – The increase of 2.27 FTEs is the net result of (1) the addition of two positions related to the Security and Sustainability focus areas for cloud computing and system administration, and one position related to Sustainability for support for the publications team; (2) the reallocation of staff from and to the Corporate Services area to better align with functional responsibilities; and (3) the elimination of one open position that is being filled with a contractor.

2024 Reserves

At the end of 2024, NERC is projecting a total reserve budget of \$23.5M across all categories of reserves. This is an increase of \$8.9M (60.9%) from the total reserve amounts budgeted for the end of 2023 in the NERC 2023 BP&B. The reserve categories are as follows:

- **Future Obligation Reserve** – Includes funding that has been received to satisfy future obligations under lease, credit, loan, or other agreements to which the company is a party. This reserve is budgeted to be \$2.9M at the end of 2024.
- **System Operator Certification Reserve** – Includes surplus funding from fees collected for the System Operator Certification and Credential Maintenance program that are above incurred expenses and shall be used solely for the program needs. The 2024 System Operator Certification Reserve is budgeted to be \$542k at the end of 2024 and is comprised primarily of existing funds.
- **CRISP Reserves** – Represents funds dedicated to support CRISP. These reserves are established pursuant to a CRISP budget agreed to and funded entirely by CRISP participants. These reserves have no impact on assessments and are segregated from other reserves pursuant to the terms of the CRISP agreements. CRISP reserves are budgeted to be \$3.7M at the end of 2024.⁹
- **Operating Contingency Reserve (OCR)** – Includes both general working capital funds resulting from day-to-day operations and additional funds for contingencies that were not anticipated.¹⁰ NERC’s current policy requires an OCR target of 3.5–7.0% of the company’s total expense and fixed asset budget except as otherwise approved by the Board. This percentage is calculated against NERC’s total budget for operating and fixed asset expenditures, less those costs related to CRISP and System Operator Certification, each of which has a separate reserve category. NERC is not proposing any release of funds from the OCR to offset 2024 assessments, and the OCR is budgeted to be \$13.1M at the end of 2024. This is 13.7% of budgeted operating and fixed asset costs, which is higher than the target maximum range and subject to Board approval.
- **Assessment Stabilization Reserve (ASR)** – To date, this reserve has been funded entirely by previously received penalties from U.S. entities. So far in the 12 months ending June 30, 2023, NERC has collected and is proposing to deposit \$735k of penalty funds into the ASR. NERC is not recommending the release of any funds from the ASR to offset 2024 assessments, and the ASR is projected to have a balance of \$3.3M at the end of 2024. Though not anticipated, any additional penalties collected up until June 30, 2023, will be reflected in the final 2024 BP&B.

See *Table B-1 – Total Reserves Analysis* for an analysis of projected reserve activity for 2023 and 2024 for all reserve categories.

The following SOA report compares the total NERC 2023 budget, 2023 year-end projection, and 2024 budget.

⁹ CRISP reserves historically were limited to the CRISP Defense Fund Reserve, which is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities. In 2022, FERC approved NERC’s request to annually redirect underruns of the prior year’s CRISP budget to the CRISP Operating Reserve. *North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022)*. In 2023, CRISP participants agreed to transfer a portion of funds from the CRISP Operating Reserve to fund a CRISP Equipment Reserve.

¹⁰ As in past BP&Bs, NERC is not budgeting the use of working capital funds in 2024 for cash flow needs since assessments are billed and paid quarterly throughout the year. If an unforeseen revenue deficiency were to arise, NERC maintains a \$4M line of credit with a major financial institution. The “Change in Working Capital” referenced on the financial tables in this document reflects the projected net changes for the System Operator and CRISP reserves, if any, which result from the funding model for those programs. See Table B-1 for details.

Introduction and Executive Summary

Statement of Activities and Fixed Asset Additions						
2023 Budget & Projection and 2024 Budget						
STATUTORY						
	2023	2023	Variance		Variance	% Inc
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	2024	2024 Budget v 2023 Budget Over(Under)	2023 Over
				Budget		2022
Funding						
NERC Funding						
NERC Assessments	\$ 87,074,681	\$ 87,074,681	\$ -	\$ 96,991,218	\$ 9,916,538	
Penalties Released*	1,000,000	1,000,000	-	-	(1,000,000)	
Total NERC Funding	\$ 88,074,681	\$ 88,074,681	\$ -	\$ 96,991,218	\$ 8,916,538	10.1%
Third-Party Funding (CRISP)	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,102,701	\$ 533,531	
Testing, Renewal, & Continuing Ed Fees	1,781,775	1,931,798	150,023	1,796,086	14,311	
Services & Software	60,000	60,000	-	60,000	-	
Miscellaneous	260,000	259,999	-	400,000	140,000	
Interest & Investment Income	76,500	1,500,001	1,423,501	1,080,000	1,003,500	
Total Funding (A)	\$ 99,822,125	\$ 101,089,448	\$ 1,267,323	\$ 110,430,005	\$ 10,607,880	10.6%
Expenses						
Personnel Expenses						
Salaries	\$ 44,250,356	\$ 44,582,457	\$ 332,101	\$ 49,027,290	\$ 4,776,934	
Payroll Taxes	2,513,603	2,409,532	(104,070)	2,655,107	141,504	
Benefits	6,624,553	6,043,454	(581,100)	7,579,139	954,586	
Retirement Costs	4,629,894	4,598,982	(30,912)	5,128,217	498,323	
Total Personnel Expenses	\$ 58,018,406	\$ 57,634,425	\$ (383,981)	\$ 64,389,753	\$ 6,371,348	11.0%
Meeting & Travel Expenses						
Meetings & Conference Calls	\$ 1,291,650	\$ 1,323,251	\$ 31,601	\$ 1,355,300	\$ 63,650	
Travel	1,853,900	1,974,500	120,600	2,051,500	197,600	
Total Meeting & Travel Expenses	\$ 3,145,550	\$ 3,297,750	\$ 152,200	\$ 3,406,800	\$ 261,250	8.3%
Operating Expenses, excluding Depreciation						
Contractors & Consultants	\$ 17,149,110	\$ 16,966,382	(182,728)	\$ 19,827,135	2,678,025	
Office Rent	3,022,266	3,022,266	-	3,089,858	67,592	
Office Costs	12,479,724	12,451,667	(28,057)	13,764,858	1,285,134	
Professional Services	3,290,596	2,992,225	(298,371)	3,517,866	227,270	
Miscellaneous	208,783	210,482	1,699	149,950	(58,833)	
Total Operating Expenses, excluding Depreciation	\$ 36,150,479	\$ 35,643,022	\$ (507,457)	\$ 40,349,667	\$ 4,199,188	11.6%
Total Direct Expenses	\$ 97,314,435	\$ 96,575,197	\$ (739,238)	\$ 108,146,220	\$ 10,831,785	11.1%
Indirect Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	
Other Non-Operating Expenses	\$ 254,254	\$ 249,545	\$ (4,709)	\$ 468,040	\$ 213,786	84.1%
Total Expenses (B)	\$ 97,568,689	\$ 96,824,742	\$ (743,947)	\$ 108,614,261	\$ 11,045,572	11.3%
Change in Net Assets (=A-B)	\$ 2,253,436	\$ 4,264,706	\$ 2,011,270	\$ 1,815,744	\$ (437,692)	
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 6,224,000	\$ 6,655,201	\$ 431,201	\$ 4,624,000	\$ (1,600,000)	-25.7%
Financing Activity						
Loan or Financing Lease - Borrowing (-)	(4,130,000)	(3,561,198)	568,802	(4,212,498)	(82,498)	
Loan or Financing Lease - Principal Payments (+)	1,338,924	882,448	(456,480)	1,618,238	279,314	
Net Financing Activity (D)	\$ (2,791,076)	\$ (2,678,751)	\$ 112,325	\$ (2,594,260)	\$ 196,816	-7.1%
Total Budget (=B+C+D)	\$ 101,001,613	\$ 100,801,192	\$ (200,421)	\$ 110,644,001	\$ 9,642,388	9.5%
Change in Working Capital (=A-B-C-D)	\$ (1,179,488)	\$ 288,256	\$ 1,467,744	\$ (213,996)	\$ 965,492	
FTEs	236.88	230.74	(6.14)	246.44	9.56	4.0%

*Penalties Released in the current year reflects the designated amount of funds released from the Assessment Stabilization Reserve to offset U.S. assessments as approved by the NERC Board and FERC. Actual penalties invoiced in the current reporting year are shown as an increase to the Assessment Stabilization Reserve on the reserve summary table and will be reported as income on the audited financial statements in accordance with Generally Accepted Accounting Principles (GAAP).

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Reliability Standards and Power Risk Issues and Strategic Management

Reliability Standards and Power Risk Issues and Strategic Management (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	19.74	20.82	1.08
Personnel Expenses	4,206,355	4,579,612	373,257
Direct Expenses	\$ 4,689,003	\$ 5,119,321	\$ 430,318
Indirect Expenses	5,590,166	6,337,578	747,412
Other Non-Operating Expenses	-	1,363	1,363
Fixed Asset Additions	496,464	271,807	(224,656)
Financing Activity	(426,521)	(140,381)	286,140
Total Budget	\$ 10,349,112	\$ 11,589,688	\$ 1,240,577

Purpose and Scope

Reliability Standards

The Reliability Standards program carries out the Electric Reliability Organization’s (ERO’s) statutory responsibility to develop, adopt, obtain approval of, and modify mandatory NERC Reliability Standards (both continent-wide and regional) to assure the Bulk Electric System is planned, operated, maintained, and secured to minimize risks of cascading failures, avoid damage to major equipment, or limit interruptions of the bulk power system. The purpose of the Reliability Standards department is to deliver high-quality risk-based Reliability Standards, facilitate continent-wide industry engagement, and support regulatory filings. The group focuses on a risk-based approach to its projects, including ensuring that Reliability Standards are clear, timely, consider costs, effective in mitigating material risks, and do not unnecessarily burden industry with administrative requirements and/or detract from reliability or security. More information on the [Reliability Standards](#) program is available on the NERC website.

Power Risk Issues and Strategic Management

The overarching purpose of the Power Risk Issues and Strategic Management (PRISM) group is to leverage in-house expertise on Reliability Standards and standards development to implement cross-cutting efforts among NERC functions and the standing and technical committees. This group develops, supports, and prioritizes the ERO Risk Registry, and gauges responses to address reliability risks and work toward monitoring risk mitigation. This group also provides in-house training on Reliability Standards to effectuate a consistent view of their meaning, purpose, and relationship with the various work products of the committees and subcommittees. The PRISM group also conducts statistical analysis around the results of standards to identify potential weaknesses, redundancies, and overall necessity.

2024 Areas of Focus

Key areas of focus for the Reliability Standards program include:

- Developing a more nimble standard setting process that honors the important role of stakeholders in Reliability Standards development

- Addressing cyber security risks by continuing to enhance cyber security Reliability Standards
- Integrating and updating standards to address new risks such as inverters, distributed energy resources, energy management, and fuel management
- Addressing Federal Energy Regulatory Commission directives, orders, or special reports
- Revising the Standard Processes Manual to allow for a more agile standards development process
- Implementing a project prioritization process

Key areas of focus for PRISM include:

- Continuing Energy Reliability Assessment Task Force efforts to address items that could impact energy constrained resources, including developing scenarios for energy assessments
- Supporting the Reliability Issues Steering Committee (RISC) and RISC report recommendations
- Rolling out a new tool for the ERO Risk Registry
- Maintaining technical support for Reliability Standards by advising on new and existing projects
- Owning the Reliability Risk Framework and any necessary updates

2024 Resource Requirements

The increase of 1.08 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily the net result of an increase of two positions for standards development and technical expertise support, offset by the reallocation of one position to another department. The Contractors & Consultants budget includes funds for engineering expertise and technology-related support (see below).

2024 Technology Requirements

The Contractors & Consultants budget includes funds to support for the Standard Balloting System (SBS) and PRISM's tool for the ERO Risk Registry.

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Reliability Standards and PRISM is due to the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease in Fixed Asset Additions is due to the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Reliability Standards and PRISM.

Net Financing Activity

The change in Net Financing Activity is due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Reliability Standards and PRISM.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Reliability Standards and Power Risk Issues and Strategic Management					
			Variance		Variance
	2023	2023	2023 Projection	2024	2024 Budget
	Budget	Projection	v 2023 Budget	Budget	v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 10,188,305	\$ 10,188,306	\$ -	\$ 11,461,324	\$ 1,273,018
Penalties Released	150,215	150,215	-	-	(150,215)
Total NERC Funding	\$ 10,338,520	\$ 10,338,521	\$ -	\$ 11,461,324	\$ 1,122,804
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	\$ -	\$ -	\$ -	\$ -	\$ -
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	10,592	166,845	156,253	128,364	117,773
Total Funding (A)	\$ 10,349,112	\$ 10,505,366	\$ 156,254	\$ 11,589,688	\$ 1,240,577
Expenses					
Personnel Expenses					
Salaries	\$ 3,144,776	\$ 2,873,804	\$ (270,973)	\$ 3,431,515	\$ 286,739
Payroll Taxes	200,354	195,880	(4,474)	203,995	3,641
Benefits	509,360	437,986	(71,374)	571,606	62,245
Retirement Costs	351,865	322,053	(29,812)	372,496	20,631
Total Personnel Expenses	\$ 4,206,355	\$ 3,829,723	\$ (376,633)	\$ 4,579,612	\$ 373,257
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 75,000	\$ 75,000	\$ -	\$ 85,000	\$ 10,000
Travel	150,000	150,000	-	155,000	5,000
Total Meetings & Travel Expenses	\$ 225,000	\$ 225,000	\$ -	\$ 240,000	\$ 15,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 202,739	\$ 202,739	\$ -	\$ 219,888	\$ 17,149
Office Rent	-	-	-	-	-
Office Costs	52,209	62,533	10,324	77,121	24,912
Professional Services	-	-	-	-	-
Miscellaneous	2,700	2,700	-	2,700	-
Total Operating Expenses, excluding Depreciation	\$ 257,648	\$ 267,972	\$ 10,324	\$ 299,709	\$ 42,061
Total Direct Expenses	\$ 4,689,003	\$ 4,322,694	\$ (366,309)	\$ 5,119,321	\$ 430,318
Indirect Expenses	\$ 5,590,166	\$ 5,480,365	\$ (109,801)	\$ 6,337,578	\$ 747,412
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 1,363	\$ 1,363
Total Expenses (B)	\$ 10,279,169	\$ 9,803,059	\$ (476,110)	\$ 11,458,262	\$ 1,179,093
Change in Net Assets (=A-B)	\$ 69,943	\$ 702,307	\$ 632,364	\$ 131,427	\$ 61,484
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 496,464	\$ 546,011	\$ 49,547	\$ 271,807	\$ (224,656)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (549,620)	\$ (466,696)	\$ 82,924	\$ (261,515)	\$ 288,105
Loan or Financing Lease - Principal Payments (+)	123,099	61,400	(61,699)	121,134	(1,965)
Net Financing Activity (D)	\$ (426,521)	\$ (405,296)	\$ 21,225	\$ (140,381)	\$ 286,140
Total Budget (=B+C+D)	\$ 10,349,112	\$ 9,943,774	\$ (405,338)	\$ 11,589,688	\$ 1,240,577
Change in Working Capital (=A-B-C-D)	\$ -	\$ 561,591	\$ 561,591	\$ -	\$ -
FTEs	19.74	18.98	(0.76)	20.82	1.08

Compliance Assurance and Organization Registration and Certification

Compliance Assurance and Organization Registration and Certification (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	22.56	21.62	(0.94)
Direct Expenses	\$ 6,932,394	\$ 7,584,172	\$ 651,778
Indirect Expenses	6,388,761	6,580,781	192,020
Other Non-Operating Expenses	16,627	32,804	16,177
Fixed Asset Additions	935,423	1,062,238	126,815
Financing Activity	(280,490)	(601,381)	(320,890)
Total Budget	\$ 13,992,714	\$ 14,658,614	\$ 665,899

Purpose and Scope

Compliance Assurance

NERC's Compliance Assurance group works collaboratively with the Regional Entities to ensure effective implementation of risk-based compliance monitoring under the Compliance Monitoring and Enforcement Program (CMEP) across the ERO Enterprise. This program ensures that Regional Entities monitor registered entities for compliance according to their own facts and circumstances, including the entity's inherent risks, evaluation of controls to mitigate inherent risks, and other factors, such as risk elements and entity performance. The risk-based compliance monitoring approach also allows for the appropriate allocation of resources to issues that pose a higher level of risk to the reliability of the bulk power system (BPS). More information on the [Compliance Assurance](#) program is available on the NERC website.

Organization Registration and Organization Certification

Organization Registration (Registration) identifies and registers BPS users, owners, and operators that are responsible for performing specified reliability functions to which requirements of mandatory Reliability Standards are applicable. Organization Certification (Certification) ensures that an applicant to be a Reliability Coordinator (RC), Balancing Authority (BA), or Transmission Operator (TOP) has the tools, processes, training, and procedures to demonstrate its ability to meet the requirements of all the Reliability Standards applicable to the functions for which it is applying, thereby demonstrating the ability to become certified and then operational. The decision to certify changes to an already operating and certified RC, BA, or TOP is a collaborative decision between the affected Regional Entities and NERC. More information on the [Organization Registration and Certification](#) program is available on the NERC website.

2024 Areas of Focus

Key areas of focus for the Compliance Assurance, Registration, and Certification programs include:

- Continue efforts in addressing facility ratings and demonstrate the importance of implementing strong internal controls
- Continue to evaluate supply chain effectiveness and provide and analyze quarterly metrics on compliance data to inform emerging risks and Registration activities
- Enhance outreach to stakeholder/policy organizations and leverage the work of others
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2024 Resource Requirements

The decrease of 0.94 FTEs full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is the result of the combination of two positions into one as a part of ongoing resource efficiency efforts. The Contractors & Consultants budget includes technology-related support (see below).

2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for Align and the ERO SEL.¹¹ The Contracts & Consultants budget includes support and maintenance for BESnet, the Centralized Organization Registration ERO System (CORES), Align, and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align, the ERO SEL, and CORES, as well as the creation of the ERO SEL Development Environment. The Fixed Assets Additions budget also includes a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity Bulk Electric System (BES) Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.¹²

Explanation of Significant Cost Changes from 2023 to 2024

Contractors & Consultants

The increase in Contractors & Consultants is primarily due to a combination of the following related to the Align and ERO SEL systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance budget.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Compliance Assurance, Registration, and Certification is due to the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Compliance Assurance, Registration, and Certification; (2) the addition of equipment and capital software expenditures for the ERO SEL Development Environment; and (3) the addition of capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Compliance Assurance, Registration, and Certification; (2) the addition of loan financing activity for capital software expenditures related to the ERO SEL Development Environment, Enterprise Analytics, and Registered Entity BES G&T Inventory systems; and (3) the addition of lease financing activity for ERO SEL Development Environment equipment.

¹¹ Any budgeted expenditures and financing activity related to Align and the ERO SEL are divided evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

¹² Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Compliance Assurance and Organization Registration and Certification					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 13,808,935	\$ 13,808,935	\$ -	\$ 14,525,323	\$ 716,388
Penalties Released	171,674	171,674	-	-	(171,674)
Total NERC Funding	\$ 13,980,609	\$ 13,980,609	\$ -	\$ 14,525,323	\$ 544,714
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	12,105	183,459	171,354	133,290	121,185
Total Funding (A)	\$ 13,992,714	\$ 14,164,068	\$ 171,354	\$ 14,658,614	\$ 665,899
Expenses					
Personnel Expenses					
Salaries	\$ 4,179,061	\$ 4,007,207	\$ (171,853)	\$ 4,247,782	\$ 68,721
Payroll Taxes	245,841	242,831	(3,010)	232,814	(13,026)
Benefits	787,967	649,001	(138,967)	754,109	(33,858)
Retirement Costs	467,379	433,217	(34,162)	465,702	(1,678)
Total Personnel Expenses	\$ 5,680,248	\$ 5,332,256	\$ (347,992)	\$ 5,700,407	\$ 20,159
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 92,000	\$ 92,000	\$ -	\$ 127,000	\$ 35,000
Travel	270,000	270,000	-	270,000	-
Total Meetings & Travel Expenses	\$ 362,000	\$ 362,000	\$ -	\$ 397,000	\$ 35,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 140,800	\$ 260,800	\$ 120,000	\$ 780,321	\$ 639,521
Office Rent	-	-	-	-	-
Office Costs	746,196	749,352	3,156	703,394	(42,802)
Professional Services	-	-	-	-	-
Miscellaneous	3,150	3,150	-	3,050	(100)
Total Operating Expenses, excluding Depreciation	\$ 890,146	\$ 1,013,302	\$ 123,156	\$ 1,486,765	\$ 596,619
Total Direct Expenses	\$ 6,932,394	\$ 6,707,557	\$ (224,837)	\$ 7,584,172	\$ 651,778
Indirect Expenses	\$ 6,388,761	\$ 6,026,092	\$ (362,669)	\$ 6,580,781	\$ 192,020
Other Non-Operating Expenses	\$ 16,627	\$ 16,627	\$ -	\$ 32,804	\$ 16,177
Total Expenses (B)	\$ 13,337,782	\$ 12,750,276	\$ (587,506)	\$ 14,197,756	\$ 859,975
Change in Net Assets (=A-B)	\$ 654,933	\$ 1,413,792	\$ 758,860	\$ 460,857	\$ (194,075)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 935,423	\$ 970,149	\$ 34,726	\$ 1,062,238	\$ 126,815
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (628,137)	\$ (513,169)	\$ 114,968	\$ (998,905)	\$ (370,768)
Loan or Financing Lease - Principal Payments (+)	347,646	274,476	(73,171)	397,524	49,878
Net Financing Activity (D)	\$ (280,490)	\$ (238,693)	\$ 41,797	\$ (601,381)	\$ (320,890)
Total Budget (=B+C+D)	\$ 13,992,714	\$ 13,481,732	\$ (510,982)	\$ 14,658,614	\$ 665,899
Change in Working Capital (=A-B-C-D)	\$ -	\$ 682,336	\$ 682,336	\$ -	\$ -
FTEs	22.56	20.87	(1.69)	21.62	(0.94)

Compliance Enforcement

Compliance Enforcement (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	12.22	13.16	0.94
Direct Expenses	\$ 3,323,092	\$ 4,178,513	\$ 855,421
Indirect Expenses	3,460,579	4,005,693	545,114
Other Non-Operating Expenses	16,627	27,224	10,597
Fixed Asset Additions	532,573	686,797	154,224
Financing Activity	(57,075)	(320,543)	(263,469)
Total Budget	\$ 7,275,796	\$ 8,577,683	\$ 1,301,887

Purpose and Scope

The Compliance Enforcement program is responsible for overseeing enforcement processes, the application of penalties or sanctions, and activities to mitigate and prevent recurrence of noncompliance with Reliability Standards. The Compliance Enforcement group works collaboratively with the Regional Entities to ensure consistent and effective implementation of the risk-based Compliance Monitoring and Enforcement Program (CMEP). The group focuses on ensuring that the ERO Enterprise dedicates resources to the matters that pose the greatest risk to the reliability of the bulk power system (BPS). More information on the [Compliance Enforcement](#) program is available on the NERC website.

2024 Areas of Focus

Key areas of focus for the Compliance Enforcement programs include:

- Continue efforts to align risk determinations and use a risk-based approach to processing noncompliance
- Provide and analyze quarterly metrics on enforcement data
- Enhance outreach to stakeholder/policy organizations
- Work to ensure successful roll-out of Align and the ERO Secure Evidence Locker (SEL); ensure meaningful oversight activities; and continue efforts to streamline risk-based CMEP activities

2024 Resource Requirements

The increase of 0.94 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is due to the addition of one position for enforcement analysis support. The Contractors & Consultants budget includes technology-related support (see below).

2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for Align and the ERO SEL.¹³ The Contracts & Consultants budget includes support and maintenance for Align and the ERO SEL. The Fixed Assets Additions budget includes expenditures for enhancements to Align and the ERO SEL, as well as the creation of the ERO SEL Development Environment.

¹³ Any budgeted expenditures and financing activity related to Align and the ERO SEL are divided evenly between the Compliance Assurance and Compliance Enforcement program area budgets.

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is primarily due to a combination of the following related to the Align and ERO SEL systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance budget.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Compliance Enforcement is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Compliance Enforcement and (2) the addition of equipment and capital software expenditures for the ERO SEL Development Environment.

Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Compliance Enforcement; (2) the addition of loan financing activity for capital software expenditures related to the ERO SEL Development Environment; and (3) the addition of lease financing activity for ERO SEL Development Environment equipment.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Compliance Enforcement					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 7,176,249	\$ 7,176,249	\$ -	\$ 8,496,550	\$ 1,320,301
Penalties Released	92,990	92,990	-	-	(92,990)
Total NERC Funding	\$ 7,269,239	\$ 7,269,239	\$ -	\$ 8,496,550	\$ 1,227,311
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	6,557	104,784	98,227	81,133	74,576
Total Funding (A)	\$ 7,275,796	\$ 7,374,023	\$ 98,227	\$ 8,577,683	\$ 1,301,887
Expenses					
Personnel Expenses					
Salaries	\$ 1,950,093	\$ 1,882,794	\$ (67,299)	\$ 2,164,379	\$ 214,286
Payroll Taxes	126,000	116,114	(9,886)	132,901	6,901
Benefits	230,201	182,191	(48,010)	242,638	12,437
Retirement Costs	216,063	209,224	(6,839)	237,218	21,155
Total Personnel Expenses	\$ 2,522,357	\$ 2,390,323	\$ (132,034)	\$ 2,777,136	\$ 254,779
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 6,500	\$ 6,500	\$ -	\$ 7,150	\$ 650
Travel	54,000	54,000	-	74,000	20,000
Total Meetings & Travel Expenses	\$ 60,500	\$ 60,500	\$ -	\$ 81,150	\$ 20,650
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 69,000	\$ 189,000	\$ 120,000	\$ 696,933	\$ 627,933
Office Rent	-	-	-	-	-
Office Costs	654,435	660,342	5,907	621,394	(33,041)
Professional Services	15,000	15,000	-	-	(15,000)
Miscellaneous	1,800	1,800	-	1,900	100
Total Operating Expenses, excluding Depreciation	\$ 740,235	\$ 866,142	\$ 125,910	\$ 1,320,227	\$ 579,992
Total Direct Expenses	\$ 3,323,092	\$ 3,316,965	\$ (6,127)	\$ 4,178,513	\$ 855,421
Indirect Expenses	\$ 3,460,579	\$ 3,441,831	\$ (18,748)	\$ 4,005,693	\$ 545,114
Other Non-Operating Expenses	\$ 16,627	\$ 16,627	\$ -	\$ 27,224	\$ 10,597
Total Expenses (B)	\$ 6,800,298	\$ 6,775,423	\$ (24,875)	\$ 8,211,429	\$ 1,411,132
Change in Net Assets (=A-B)	\$ 475,498	\$ 598,600	\$ 123,102	\$ 366,254	\$ (109,245)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 532,573	\$ 567,790	\$ 35,217	\$ 686,797	\$ 154,224
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (340,241)	\$ (293,099)	\$ 47,142	\$ (654,156)	\$ (313,916)
Loan or Financing Lease - Principal Payments (+)	283,166	245,523	(37,643)	333,613	50,447
Net Financing Activity (D)	\$ (57,075)	\$ (47,576)	\$ 9,499	\$ (320,543)	\$ (263,469)
Total Budget (=B+C+D)	\$ 7,275,796	\$ 7,295,637	\$ 19,841	\$ 8,577,683	\$ 1,301,887
Change in Working Capital (=A-B-C-D)	\$ -	\$ 78,386	\$ 78,386	\$ -	\$ -
FTEs	12.22	11.92	(0.30)	13.16	0.94

Reliability Assessments and Performance Analysis

The Reliability Assessments and Performance Analysis (RAPA) program identifies, prioritizes, and enables activities to reduce known and emerging risks to the bulk power system (BPS). Four primary groups at NERC are focused on this program: (1) Reliability Assessments and Technical Committee; (2) Performance Analysis; (3) Advanced System Analytics and Modeling; and (4) Engineering and Security Integration.

Reliability Assessments and Performance Analysis (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	29.14	30.64	1.50
Direct Expenses	\$ 8,870,659	\$ 10,175,464	\$ 1,304,804
Indirect Expenses	8,252,149	9,327,541	1,075,392
Other Non-Operating Expenses	-	33,650	33,650
Fixed Asset Additions	1,661,328	1,201,042	(460,286)
Financing Activity	(629,626)	(834,981)	(205,355)
Total Budget	\$ 18,154,510	\$ 19,902,716	\$ 1,748,206

Purpose and Scope

Reliability Assessments and Technical Committee

The Reliability Assessments and Technical Committee group includes Reliability Assessment staff as well as the NERC staff secretaries of the Reliability and Security Technical Committee (RSTC). Reliability Assessment staff carry out the ERO’s statutory responsibility to conduct assessments of the overall reliability and adequacy of BPS and associated emerging reliability risks that could impact the short, mid, and long-term planning horizons, as well as other reliability issues requiring in-depth analysis. Reliability Assessment activities directly address the risk priorities established by the Reliability Issues Steering Committee, and the group relies on its own engineering and analysis expertise as well as Regional Entity and stakeholder resources. The RSTC and its subgroups provide the oversight, guidance, and leadership essential to enhancing BPS reliability by addressing areas of strategic focus efficiently and comprehensively, and ensuring technical accuracy. More information on the [Reliability Assessment](#) program and the [RSTC](#) is available on the NERC website.

Performance Analysis

The Performance Analysis group monitors the performance of and identifies risks to BPS reliability through analyzing industry data and measuring historic trends. Analysis performed includes identifying potential risks related to system, equipment, entity, and organizational performance that may indicate a need to develop (1) improvements to reporting applications, and (2) new data collection or analysis tools, or to create, revise, or retire reporting areas. Performance Analysis staff leads the ERO, technical committee, and stakeholder process to publish the *State of Reliability* (SOR) report examining the year-over-year performance indicators of the grid. The program also develops the business requirements for all new reliability information data systems, specifically those required by NERC Rules of Procedure Section 1600 Data Requests. More information on the [Performance Analysis](#) program is available on the NERC website.

Advanced System Analytics and Modeling

Advanced System Analytics and Modeling (ASAM) staff provide technical leadership and support in the areas of resource and demand balancing and system analysis and modeling, including technical support for the NERC balancing and modeling Reliability Standards. ASAM staff also provide support for the

development and improvement of long-term, sustainable interconnection-based power flow, dynamic, and load models that exhibit the accuracy and fidelity necessary to reflect actual Bulk Electric System (BES) reliability performance and dynamic conditions. ASAM further provides advanced statistical analysis functions to support: (1) the SOR report and reliability assessments; (2) the Frequency Response Annual Analysis report to the Federal Energy Regulatory Commission; (3) analytical review of Reliability Standard effectiveness; and (4) various reports on an emergent basis. ASAM further manages relationships with academic and other research and development groups, advising them on projects to provide insight and solution for emergent issues.

Engineering and Security Integration

The Engineering and Security Integration department is responsible for driving key reliability and security initiatives working with internal and external stakeholders. Primary areas of focus include better integrating security concepts with conventional engineering activities as well as enabling new technologies in a reliable and secure manner. The group is responsible for key ERO work priorities, including inverter-based resource and distributed energy resource (DER) initiatives across the ERO Enterprise, and promoting concepts of cyber planning and grid transformation issues. The group coordinates a significant number of NERC's technical stakeholder groups under the RSTC, supports the standards development process on engineering and security-related topics, provides technical expertise across the ERO Enterprise, and coordinates with the Electricity Information Sharing and Analysis Center on cross-departmental topics related to security risks.

The groups described above work collaboratively with NERC stakeholders, particularly through the RSTC, to create a reliability strategy that is relevant, timely, and effective to address the most important reliability risks. Further, these groups work closely with other organizations to collaborate, coordinate, and leverage expertise, including but not limited to the Department of Energy, Electric Power Research Institute, Institute of Electrical and Electronics Engineers, Institute of Nuclear Power Operations, North American Transmission Forum, North American Generator Forum, Carnegie Mellon Industry Center, Power Systems Energy Research Center, Interstate Natural Gas Association of America, Natural Gas Supply Association, Electricity Canada, and International Council on Large Electric Systems.

2024 Areas of Focus

Key areas of focus for RAPA include:

- Ensuring the reliable and secure integration of BPS-connected inverter-based resources and DER, including the analysis of grid disturbances, development of technical guidance and educational materials, and collaboration with industry to ensure the Reliability Standards adequately address emerging risks in this area
- Increasing understanding of changing resource mix impacts on BPS reliability by collecting plant, event, connected energy storage, and performance data for photovoltaic and wind generation, combined with enhanced design data and event reporting for conventional generation
- Enhancing reliability assessments to include assessments of energy availability and expanded probabilistic methods that can identify risks of energy shortfall for all assessment areas in long-duration and seasonal time horizons
- Leveraging RAPA processes, tools, and products to improve BES resilience for widespread long-term extreme temperature and weather events
- Assessing impacts from federal and state regulations on the reliability and resilience of the BPS

2024 Resource Requirements

The increase of 1.50 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily related to the reallocation of one FTE to the Engineering and Security Integration group from another department. The Contractors & Consultants budget includes support for (1) probabilistic, energy risk, and emerging technology analysis; (2) electromagnetic pulse and geomagnetic disturbance (GMD) research; (3) support and expertise for the Generating Availability Data System (GADS); (4) studies and expertise related to grid transformation and security integration, and (5) technology-related support (see below).

2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for various analytical tools and data collection and management systems, including GADS, the Transmission Availability Data System, and the Demand Response Availability Data System. The Contractors & Consultants budget includes support for pc-GAR software and the GMD reporting application, as well as initial efforts to automate the collection, management, and analysis of reliability assessment data through a Reliability Assessment Data System (RADS). The Fixed Assets Additions budget includes expenditures for (1) continued development of data collection applications for solar reporting, as well as integrating energy storage with the solar and wind facilities (GADS Solar and GADS Wind); (2) enhancements to the GMD reporting application; and (3) a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity BES Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.¹⁴

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to increased cost and demand as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase for Contractors & Consultants expenses is the net result of (1) the reclassification of fixed asset expenditures for RADS to Contractors & Consultants due to the deferral of RADS discovery work from 2023 to 2024; (2) an increase for support related to emerging technology analysis; and (3) the reclassification of contractors and consultants funds to fixed assets expenditures for development and enhancement work on applications supporting Performance Analysis.

Office Costs

The increase for Office Costs is due to an increase of software license and support expenses for the GADS Solar and Wind applications offset by a decrease of software license and support expenses for technology tools supporting ASAM and Reliability Assessments.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted

¹⁴ Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.

statutory FTEs. The increase in Indirect Expenses for RAPA is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to RAPA; (2) the reclassification of fixed asset expenditures for RADS to Contractors & Consultants due to the deferral of RADS discovery work from 2023 to 2024; and (3) a decrease in development costs for GADS Solar and Wind as those applications are completed, offset by an increase in expenditures related to the development of the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to RAPA and (2) the addition of loan financing activity for capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Reliability Assessments and Performance Analysis					
			Variance		Variance
	2023	2023	2023 Projection	2024	2024 Budget
	Budget	Projection	v 2023 Budget	Budget	v 2024 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 17,964,426	\$ 17,964,426	\$ -	\$ 19,653,791	\$ 1,689,366
Penalties Released	114,449	114,449	-	-	(114,449)
Total NERC Funding	\$ 18,078,875	\$ 18,078,875	\$ -	\$ 19,653,791	\$ 1,574,917
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	60,000	60,000	-	60,000	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	15,636	257,740	242,104	188,925	173,289
Total Funding (A)	\$ 18,154,510	\$ 18,396,615	\$ 242,105	\$ 19,902,716	\$ 1,748,206
Expenses					
Personnel Expenses					
Salaries	\$ 5,162,514	\$ 5,224,559	\$ 62,044	\$ 5,854,521	\$ 692,007
Payroll Taxes	307,570	299,757	(7,813)	332,849	25,279
Benefits	747,809	749,123	1,314	951,119	203,310
Retirement Costs	566,745	561,085	(5,660)	640,719	73,974
Total Personnel Expenses	\$ 6,784,638	\$ 6,834,524	\$ 49,885	\$ 7,779,208	\$ 994,569
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 219,750	\$ 219,750	\$ -	\$ 237,250	\$ 17,500
Travel	244,400	244,399	-	318,600	74,200
Total Meetings & Travel Expenses	\$ 464,150	\$ 464,149	\$ -	\$ 555,850	\$ 91,700
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 876,654	\$ 860,654	\$ (16,000)	\$ 991,400	\$ 114,746
Office Rent	-	-	-	-	-
Office Costs	740,217	747,855	7,638	844,006	103,789
Professional Services	-	-	-	-	-
Miscellaneous	5,000	4,999	-	5,000	-
Total Operating Expenses, excluding Depreciation	\$ 1,621,871	\$ 1,613,507	\$ (8,364)	\$ 1,840,406	\$ 218,535
Total Direct Expenses	\$ 8,870,659	\$ 8,912,180	\$ 41,521	\$ 10,175,464	\$ 1,304,804
Indirect Expenses	\$ 8,252,149	\$ 8,465,980	\$ 213,831	\$ 9,327,541	\$ 1,075,392
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 33,650	\$ 33,650
Total Expenses (B)	\$ 17,122,809	\$ 17,378,160	\$ 255,352	\$ 19,536,655	\$ 2,413,847
Change in Net Assets (=A-B)	\$ 1,031,702	\$ 1,018,454	\$ (13,247)	\$ 366,061	\$ (665,641)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,661,328	\$ 1,769,178	\$ 107,850	\$ 1,201,042	\$ (460,286)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (811,343)	\$ (720,944)	\$ 90,399	\$ (1,105,763)	\$ (294,419)
Loan or Financing Lease - Principal Payments (+)	181,717	94,850	(86,867)	270,782	89,065
Net Financing Activity (D)	\$ (629,626)	\$ (626,094)	\$ 3,532	\$ (834,981)	\$ (205,355)
Total Budget (=B+C+D)	\$ 18,154,510	\$ 18,521,244	\$ 366,734	\$ 19,902,716	\$ 1,748,206
Change in Working Capital (=A-B-C-D)	\$ -	\$ (124,629)	\$ (124,629)	\$ -	\$ -
FTEs	29.14	29.32	0.18	30.64	1.50

Situation Awareness

Situation Awareness (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	7.52	8.55	1.03
Direct Expenses	\$ 3,229,002	\$ 3,892,128	\$ 663,126
Indirect Expenses	2,129,587	2,603,700	474,113
Other Non-Operating Expenses	-	21,842	21,842
Fixed Asset Additions	814,891	217,668	(597,223)
Financing Activity	(162,484)	(90,857)	71,627
Total Budget	\$ 6,010,996	\$ 6,644,481	\$ 633,485

Purpose and Scope

NERC and the Regional Entities monitor bulk power system (BPS) conditions, significant occurrences, emerging risks, and threats across the 17 Reliability Coordinator regions in North America to maintain an understanding of conditions and situations that could impact reliable operation. NERC’s BPS Awareness (BPSA) group also supports the development and publication of NERC Alerts and awareness products and facilitates information sharing among industry, the Regional Entities, and the government during crisis situations and major system disturbances. The process for understanding the potential threats or vulnerabilities to BPS reliability starts with understanding occurrences and events in the context in which they occur, and registered entities robustly share information and collaborate with the ERO to maintain and improve overall reliability. More information on the [BPSA](#) program is available on the NERC website.

2024 Areas of Focus

Key areas of focus for BPSA include:

- Enhancing situation awareness tools to increase agility and efficiency, as well as visibility and understanding of the reliability or availability of natural gas and its interdependency with electrical generation
- Collaborating across the ERO Enterprise and with stakeholders to mitigate emerging and known risk by using all available tools, including the NERC Alerts process to issue Advisory (Level 1) Alerts on significant and emerging reliability and security-related topics as needed, and to facilitate the tracking of actions specified in Recommendation (Level 2) and Essential Action (Level 3) Alerts
- Continue engaging with industry, the Electricity Information Sharing and Analysis Center (E-ISAC), government partners, and the ERO Enterprise on emerging risks to BPS reliability
- Engaging situation awareness subject matter experts in support of the work of Reliability Standards, the E-ISAC, and the Reliability and Security Technical Committee to advance the security posture of the industry

2024 Resource Requirements

The increase of 1.03 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is related to the addition of one position for BPSA support required to take on the broader, deeper, and cross-section knowledge needed to maintain situational awareness across the system as it evolves. The Contractors & Consultants budget includes technology-related support (see below).

2024 Technology Requirements

The majority of the Office Costs budget includes software licenses and support for various BPSA systems and tools related to wide-area view situation awareness, conditions monitoring, resource adequacy, inadvertent interchange, frequency monitoring, Reliability Coordinator information sharing, alerting, and data collection and analysis. The Contractors & Consultants budget includes support for PI Historian software, as well as initial discovery for development and/or enhancements to systems related to resource adequacy and curtailment events. The Fixed Assets Additions budget includes funds for ongoing enhancements to the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) and Reliability Coordinator information sharing tools.

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to increased cost and demand as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase in Contractors & Consultants expenses is support for expenses discussed in the Technology Requirements above.

Office Costs

The increase for Office Costs is primarily related to the software licenses and support expenses discussed in the Technology Requirements above, including support for new systems and annual escalation for existing software agreements.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Situation Awareness is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Situation Awareness and (2) a decrease in enhancement costs for situation awareness tools as those enhancements are completed.

Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Situation Awareness and (2) the addition of loan financing activity for capital software expenditures for situation awareness tools.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Situation Awareness					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 5,949,736	\$ 5,949,736	\$ -	\$ 6,591,744	\$ 642,008
Penalties Released	57,225	57,225	-	-	(57,225)
Total NERC Funding	\$ 6,006,961	\$ 6,006,961	\$ -	\$ 6,591,744	\$ 584,783
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	4,035	68,215	64,180	52,737	48,702
Total Funding (A)	\$ 6,010,996	\$ 6,075,176	\$ 64,180	\$ 6,644,481	\$ 633,485
Expenses					
Personnel Expenses					
Salaries	\$ 1,282,278	\$ 1,316,331	\$ 34,053	\$ 1,575,816	\$ 293,538
Payroll Taxes	77,182	69,211	(7,972)	90,980	13,798
Benefits	271,648	260,497	(11,150)	330,748	59,101
Retirement Costs	139,292	140,535	1,242	173,771	34,479
Total Personnel Expenses	\$ 1,770,400	\$ 1,786,574	\$ 16,174	\$ 2,171,315	\$ 400,915
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 70,000	\$ 70,000	\$ -	\$ 71,000	\$ 1,000
Travel	16,000	16,000	-	18,700	2,700
Total Meetings & Travel Expenses	\$ 86,000	\$ 86,000	\$ -	\$ 89,700	\$ 3,700
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 23,000	\$ 23,000	\$ -	\$ 83,000	\$ 60,000
Office Rent	-	-	-	-	-
Office Costs	1,348,302	1,351,321	3,019	1,546,713	198,411
Professional Services	-	-	-	-	-
Miscellaneous	1,300	1,299	-	1,400	100
Total Operating Expenses, excluding Depreciation	\$ 1,372,602	\$ 1,375,620	\$ 3,018	\$ 1,631,113	\$ 258,511
Total Direct Expenses	\$ 3,229,002	\$ 3,248,194	\$ 19,192	\$ 3,892,128	\$ 663,126
Indirect Expenses	\$ 2,129,587	\$ 2,240,655	\$ 111,068	\$ 2,603,700	\$ 474,113
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 21,842	\$ 21,842
Total Expenses (B)	\$ 5,358,589	\$ 5,488,849	\$ 130,260	\$ 6,517,670	\$ 1,159,081
Change in Net Assets (=A-B)	\$ 652,407	\$ 586,326	\$ (66,080)	\$ 126,811	\$ (525,596)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 814,891	\$ 847,883	\$ 32,992	\$ 217,668	\$ (597,223)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (209,379)	\$ (190,809)	\$ 18,570	\$ (202,835)	\$ 6,544
Loan or Financing Lease - Principal Payments (+)	46,895	25,104	(21,791)	111,978	65,083
Net Financing Activity (D)	\$ (162,484)	\$ (165,705)	\$ (3,221)	\$ (90,857)	\$ 71,627
Total Budget (=B+C+D)	\$ 6,010,996	\$ 6,171,027	\$ 160,031	\$ 6,644,481	\$ 633,485
Change in Working Capital (=A-B-C-D)	\$ -	\$ (95,851)	\$ (95,851)	\$ -	\$ -
FTEs	7.52	7.76	0.24	8.55	1.03

Event Analysis

Event Analysis (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	6.58	7.61	1.03
Direct Expenses	\$ 2,130,315	\$ 2,435,125	\$ 304,810
Indirect Expenses	1,863,389	2,317,579	454,191
Other Non-Operating Expenses	-	3,240	3,240
Fixed Asset Additions	255,905	316,897	60,992
Financing Activity	(142,174)	(238,201)	(96,027)
Total Budget	\$ 4,107,435	\$ 4,834,641	\$ 727,206

Purpose and Scope

The Event Analysis program informs assessments of the reliability and adequacy of the Bulk Electric System (BES) through analysis of real-time operating events on the system. This includes identifying potential issues of concern related to system, equipment, entity, human error, and organizational performance that may indicate a need to (1) develop remediation and/or risk reduction strategies and action plans, (2) revise, retire, or consider new Reliability Standards, and (3) shape aggregate reliability assurance planning. The Event Analysis group analyzes reportable events to identify and understand lessons learned, sequence of events, root and contributing causes, risks to reliability, and potential mitigating actions. The group keeps the industry well informed of system events, emerging trends, event precursors, risk analysis, lessons learned, and recommended corrective and expected mitigation activities through various verbal and written communications/reports and cross-functional collaboration efforts. More information on the [Event Analysis](#) program is available on the NERC website.

2024 Areas of Focus

Key areas of focus for Event Analysis include:

- Enhancing event processing in support of developing a coherent system performance picture within the Rules of Procedure Section 800 system performance monitoring and reporting program
- Enhancing program data collection, organization, and manipulation capabilities
- Tuning alignment activities of cross-functional project collaboration through data analysis and disturbance reporting flexibility and agility
- Reinforcing fundamental practices and advocacy of enhanced reliability practices through joint reliability partnership activities with stakeholders and the ERO Enterprise

2024 Resource Requirements

The increase of 1.03 full-time equivalents (FTEs) from the 2023 budget to the 2024 budget is primarily related to the addition of one position for Event Analysis program support. The Contractors & Consultants budget includes potential augmentation for event analysis review, program activities support, and technology-related support (see below).

2024 Technology Requirements

The Contractors & Consultants budget includes maintenance and support for The Event Analysis Management System (TEAMS). The Fixed Assets Additions budget also includes a portion of expenditures related to the development of the Enterprise Analytics and Registered Entity BES Generation and Transmission (G&T) Inventory systems, which are discussed in the *Introduction and Executive Summary*.¹⁵

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is due to a decrease in dedicated support and maintenance expenses for TEAMS.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Event Analysis is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The increase for Fixed Asset Additions is the net result of (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Event Analysis and (2) an increase for expenditures related to the development of the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

Net Financing Activity

The change in Net Financing Activity is the net result of (1) the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Event Analysis and (2) the addition of loan financing activity for capital software expenditures related to the Enterprise Analytics and Registered Entity BES G&T Inventory systems.

¹⁵ Any budgeted expenditures and financing activity for the Enterprise Analytics and Registered Entity BES G&T Inventory systems are divided evenly among the program area budgets that include Registration, Reliability Assessment, Performance Analysis, and Event Analysis.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Event Analysis					
	2023 Budget	2023 Projection	Variance 2023 Projection v 2023 Budget Over(Under)	2024 Budget	Variance 2024 Budget v 2023 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 4,053,833	\$ 4,053,833	\$ -	\$ 4,787,700	\$ 733,867
Penalties Released	50,072	50,072	-	-	(50,072)
Total NERC Funding	\$ 4,103,904	\$ 4,103,905	\$ -	\$ 4,787,700	\$ 683,796
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	3,531	59,688	56,157	46,941	43,411
Total Funding (A)	\$ 4,107,435	\$ 4,163,593	\$ 56,158	\$ 4,834,641	\$ 727,206
Expenses					
Personnel Expenses					
Salaries	\$ 1,336,089	\$ 1,355,165	\$ 19,076	\$ 1,626,448	\$ 290,359
Payroll Taxes	72,312	63,901	(8,411)	86,462	14,150
Benefits	193,518	186,251	(7,267)	242,331	48,813
Retirement Costs	144,644	147,399	2,754	180,085	35,440
Total Personnel Expenses	\$ 1,746,563	\$ 1,752,716	\$ 6,152	\$ 2,135,325	\$ 388,762
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 25,000	\$ 25,000	\$ -	\$ 26,500	\$ 1,500
Travel	91,000	91,000	-	91,000	-
Total Meetings & Travel Expenses	\$ 116,000	\$ 116,001	\$ -	\$ 117,500	\$ 1,500
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 220,802	\$ 190,802	\$ (30,000)	\$ 165,000	\$ (55,802)
Office Rent	-	-	-	-	-
Office Costs	45,750	45,150	(600)	16,000	(29,750)
Professional Services	-	-	-	-	-
Miscellaneous	1,200	1,200	-	1,300	100
Total Operating Expenses, excluding Depreciation	\$ 267,752	\$ 237,152	\$ (30,600)	\$ 182,300	\$ (85,452)
Total Direct Expenses	\$ 2,130,315	\$ 2,105,868	\$ (24,447)	\$ 2,435,125	\$ 304,810
Indirect Expenses	\$ 1,863,389	\$ 1,960,573	\$ 97,184	\$ 2,317,579	\$ 454,191
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 3,240	\$ 3,240
Total Expenses (B)	\$ 3,993,704	\$ 4,066,441	\$ 72,737	\$ 4,755,945	\$ 762,241
Change in Net Assets (=A-B)	\$ 113,731	\$ 97,151	\$ (16,580)	\$ 78,696	\$ (35,035)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 255,905	\$ 284,773	\$ 28,868	\$ 316,897	\$ 60,992
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (183,207)	\$ (166,958)	\$ 16,249	\$ (291,375)	\$ (108,168)
Loan or Financing Lease - Principal Payments (+)	41,033	21,966	(19,067)	53,174	12,141
Net Financing Activity (D)	\$ (142,174)	\$ (144,992)	\$ (2,818)	\$ (238,201)	\$ (96,027)
Total Budget (=B+C+D)	\$ 4,107,435	\$ 4,206,222	\$ 98,787	\$ 4,834,641	\$ 727,206
Change in Working Capital (=A-B-C-D)	\$ -	\$ (42,629)	\$ (42,629)	\$ -	\$ -
FTEs	6.58	6.79	0.21	7.61	1.03

Electricity Information Sharing and Analysis Center

E-ISAC (including CRISP) (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	45.87	48.46	2.59
Direct Expenses	\$ 24,658,079	\$ 25,988,446	\$ 1,330,367
Indirect Expenses	12,990,480	14,749,533	1,759,052
Other Non-Operating Expenses	-	8,791	8,791
Fixed Asset Additions	1,368,735	805,581	(563,154)
Financing Activity	(991,153)	(339,982)	651,171
Total Budget	\$ 38,026,141	\$ 41,212,368	\$ 3,186,227

Purpose and Scope

The Electricity Information Sharing and Analysis Center (E-ISAC) provides its members and partners with resources to prepare for and reduce cyber and physical security threats to the North American electricity industry. The E-ISAC offers products and services that give timely, relevant, and actionable situational awareness and analysis to asset owners and operators as well as cross-sector and government partners. In 2017, the E-ISAC developed a long-term strategic plan to better define its mission and focus its resources. The central underpinning of the plan is for the E-ISAC to focus on providing timely and actionable information to industry regarding cyber and physical security threats and mitigation strategies. The strategic plan also recognizes the critical interdependencies between the E-ISAC, industry, U.S. and Canadian government agencies, and other stakeholders. In 2020, the strategic plan was validated in terms of the primary focus areas. More information on [E-ISAC](#) is available on the NERC website.

The E-ISAC also oversees the Cybersecurity Risk Information Sharing Program (CRISP), a unique public-private initiative among the E-ISAC, the North American electric utility industry, the Department of Energy (DOE), and the U.S. Intelligence Community that delivers real-time, relevant, and actionable cyber security risk information to all E-ISAC member electricity asset owners and operators, including those from Canada and Mexico. Using passive information sharing devices on participant networks outside boundary firewalls, participant data is collected and then matched against known threat signatures—classified and unclassified—to identify potential threats and provide participants with recommended mitigation steps. The Pacific Northwest National Laboratory (PNNL), is the primary subcontractor to NERC for the deployment of the required technology, supporting infrastructure, analysis, and technical capabilities for CRISP. PNNL is a U.S. DOE National Laboratory, operated by Battelle with oversight by the DOE.

E-ISAC and CRISP Funding and Indirect Cost Allocation Structure

Of the total 2024 E-ISAC budget, including CRISP, approximately 74% is funded by assessments and 25% is funded by CRISP participants for CRISP costs. Just under 2% of the budget is funded by “other funding.” This includes interest income (\$397k), funding from the Downstream Natural Gas ISAC (\$60k), anticipated revenue from the Vendor Affiliate Program (\$300k), and anticipated revenue from industry trade associations to attend CRISP workshops (\$40k).¹⁶ The Vendor Affiliate Program launched in 2022 with incremental implementation over three years. With the increasing complexities and risk in reliance on supply chain software components, this fee-for-service program provides opportunities for collaboration

¹⁶ The funding from the Downstream Natural Gas ISAC equates to approximately half of a full-time equivalent (FTE), which covers the services the E-ISAC provides to the natural gas sector. Expenditures in this area are carefully monitored and fees will be adjusted as required.

and information sharing between the E-ISAC and the vendor community. Participating vendors collaborate with electricity sector stakeholders in a trusted environment, providing timely and actionable information, helping to maintain situational awareness as events unfold, and offering post-event analysis and subject matter expertise on an ongoing basis. Sales and business development activities are strictly prohibited. CRISP has also introduced “observer status” for energy sector support organizations such as the trade associations. Participants in observer status are able to join all tracks of the CRISP workshops including the program update in exchange for a fee. This additional funding will be used to offset workshop costs.

The E-ISAC and CRISP budgets are allocated indirect costs (i.e., the Direct Expenses, Fixed Asset Additions, and Net Financing Activity budgets of the Corporate Services departments) in the same manner as all other NERC statutory program departments, which is based on the ratio of a statutory program department’s FTEs to total budgeted statutory FTEs. There are no specific indirect costs that E-ISAC or CRISP incur that other statutory program departments do not.

The CRISP budget specifically includes two major categories of expense: (1) costs funded fully by CRISP participants, which include the contract with PNNL, an annual security review, and any programs agreed to be funded exclusively by CRISP participants; and (2) operational program costs, which are funded 50% by participants and 50% by NERC assessments. Examples of these operational costs include (1) dedicated personnel for CRISP program management and administration, as well as time allocated from E-ISAC staff for data analysis; (2) office costs, insurance, and indirect expenses (as noted above); and (3) fixed asset addition expenditures. The total costs paid by participants, which make up just under 80% of the CRISP budget (the majority of which is for the PNNL contract), are shown on the “Third-Party Funding” line of the Statement of Activities reports below. Funding for the remaining 50% of CRISP operational costs (less additional funding from investment income and fees for workshops) is shown on the “NERC Assessments” line.

2024 Areas of Focus

Key areas of focus for E-ISAC include:

- Reviewing and curating security intelligence applicable to the electricity sector
- Conducting threat hunts for malicious technology on Information Technology (IT) and Operational Technology (OT) platforms
- Expanding CRISP participation and technology modernization
- Expanding membership and strategic relationships, including (1) further collaboration with the natural gas sector, (2) enhanced membership engagement with registered entities, small and medium utilities, and emerging renewable energy participants, and (3) operating the vendor affiliate program
- Continuing to plan and execute the biennial GridEx exercise and annual Grid Security Conference

2024 Resource Requirements

The increase of 2.59 FTEs from the 2023 budget to the 2024 budget is the net result of the addition of four positions for increased analytical capabilities and leveraging of threat intelligence, membership support, and CRISP enhancement and expansion, and a slight reduction in the allocation of dedicated Business Technology staff to E-ISAC and CRISP. The Contractors & Consultants budget includes expenses for security consulting, strategic partnerships, GridEx support, OT security analysis, Watch Officer contractors, and technology support (see below). This budget also includes the CRISP contract with PNNL, annual security review, and member security training; these expenses make up \$7.4M of the total Contractors & Consultants budget and are funded fully by CRISP participants.

2024 Technology Requirements

The majority of the Office Costs budget is related to software and content services licenses and support for data analysis and security intelligence tools, automated information sharing, GridEx activities, critical broadcast capability, customer relationship management (CRM) technology for member engagement and the E-ISAC Portal, a portion of costs for the Situation Awareness for FERC, NERC, and the Regional Entities (SAFNR) tool that provides wide-area view situation awareness, and various technology needs to support CRISP. The Contractors & Consultants budget includes operational support and maintenance for the CRM technology for the Portal. The Fixed Asset Additions budget includes a portion of expenditures for SAFNR enhancements and computer equipment for CRISP.

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Meetings & Travel

The increase for Meetings & Travel is related to increased cost and demand as discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The decrease in Contractors & Consultants expenses is the net result of (1) decreased support costs for GridEx, which is held every other year (GridEx will not occur in 2024); (2) reduced Watch Officer contractor expenses to align with recent actuals; and (3) the estimated increase for the CRISP contract with PNNL.

Office Costs

The decrease in Office Costs is due to the reduction of certain software licenses and support expenses.

Professional Services

The decrease in Professional Services is a result of (1) a reduction in CRISP insurance requirements and (2) the partial reclassification of insurance costs from the CRISP budget to the NERC General and Administrative budget due to decreased CRISP participant responsibility for these insurance costs, as agreed up on by the CRISP participants and NERC.

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for the E-ISAC and CRISP is due to the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to E-ISAC and CRISP and (2) a shift from capital software expenditures to contractors and consultants as part of a managed services provider model.

Net Financing Activity

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to E-ISAC and CRISP.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
E-ISAC (including CRISP)					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 27,825,365	\$ 27,825,365	\$ -	\$ 30,312,649	\$ 2,487,284
Penalties Released	349,070	349,070	-	-	(349,070)
Total NERC Funding	\$ 28,174,435	\$ 28,174,435	\$ -	\$ 30,312,649	\$ 2,138,214
Third-Party Funding	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,102,701	\$ 533,531
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	260,000	259,999	-	400,000	140,000
Interest & Investment Income	22,537	582,217	559,680	397,019	374,482
Total Funding (A)	\$ 38,026,141	\$ 38,279,620	\$ 253,479	\$ 41,212,368	\$ 3,186,227
Expenses					
Personnel Expenses					
Salaries	\$ 8,634,606	\$ 8,857,942	\$ 223,336	\$ 9,917,575	\$ 1,282,969
Payroll Taxes	503,699	473,762	(29,937)	544,396	40,697
Benefits	1,168,786	1,201,434	32,648	1,535,836	367,050
Retirement Costs	930,186	941,226	11,040	1,066,986	136,800
Total Personnel Expenses	\$ 11,237,278	\$ 11,474,364	\$ 237,086	\$ 13,064,793	\$ 1,827,515
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 140,000	\$ 176,601	\$ 36,601	\$ 208,000	\$ 68,000
Travel	246,000	276,001	30,001	275,000	29,000
Total Meetings & Travel Expenses	\$ 386,000	\$ 452,601	\$ 66,601	\$ 483,000	\$ 97,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 10,172,855	\$ 9,942,075	\$ (230,780)	\$ 10,066,237	\$ (106,618)
Office Rent	-	-	-	-	-
Office Costs	2,002,096	2,016,391	14,295	1,939,166	(62,930)
Professional Services	850,000	550,000	(300,000)	425,000	(425,000)
Miscellaneous	9,850	9,851	-	10,250	400
Total Operating Expenses, excluding Depreciation	\$ 13,034,801	\$ 12,518,317	\$ (516,484)	\$ 12,440,653	\$ (594,148)
Total Direct Expenses	\$ 24,658,079	\$ 24,445,282	\$ (212,797)	\$ 25,988,446	\$ 1,330,367
Indirect Expenses	\$ 12,990,480	\$ 12,802,919	\$ (187,561)	\$ 14,749,533	\$ 1,759,052
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 8,791	\$ 8,791
Total Expenses (B)	\$ 37,648,559	\$ 37,248,201	\$ (400,358)	\$ 40,746,769	\$ 3,098,210
Change in Net Assets (=A-B)	\$ 377,582	\$ 1,031,419	\$ 653,837	\$ 465,599	\$ 88,017
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,368,735	\$ 1,490,114	\$ 121,379	\$ 805,581	\$ (563,154)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (1,277,212)	\$ (1,090,269)	\$ 186,943	\$ (638,326)	\$ 638,886
Loan or Financing Lease - Principal Payments (+)	286,058	143,439	(142,619)	298,343	12,285
Net Financing Activity (D)	\$ (991,153)	\$ (946,830)	\$ 44,323	\$ (339,982)	\$ 651,171
Total Budget (=B+C+D)	\$ 38,026,141	\$ 37,791,485	\$ (234,656)	\$ 41,212,368	\$ 3,186,227
Change in Working Capital (=A-B-C-D)	\$ -	\$ 488,135	\$ 488,135	\$ -	\$ -
FTEs	45.87	44.34	(1.53)	48.46	2.59

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
E-ISAC Only					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 25,531,428	\$ 25,531,428	\$ -	\$ 27,759,948	\$ 2,228,520
Penalties Released	305,436	305,436	-	-	(305,436)
Total NERC Funding	\$ 25,836,864	\$ 25,836,864	\$ -	\$ 27,759,948	\$ 1,923,084
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	260,000	259,999	-	360,000	100,000
Interest & Investment Income	21,537	342,217	320,680	257,019	235,482
Total Funding (A)	\$ 26,118,401	\$ 26,439,081	\$ 320,680	\$ 28,376,967	\$ 2,258,566
Expenses					
Personnel Expenses					
Salaries	\$ 7,593,979	\$ 7,767,712	\$ 173,733	\$ 8,596,804	\$ 1,002,825
Payroll Taxes	442,675	422,466	(20,209)	468,718	26,043
Benefits	979,020	1,016,027	37,007	1,277,971	298,950
Retirement Costs	820,843	834,618	13,776	925,651	104,808
Total Personnel Expenses	\$ 9,836,516	\$ 10,040,822	\$ 204,306	\$ 11,269,144	\$ 1,432,627
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 95,000	\$ 95,000	\$ -	\$ 100,000	\$ 5,000
Travel	210,000	210,000	-	237,000	27,000
Total Meetings & Travel Expenses	\$ 305,000	\$ 305,000	\$ -	\$ 337,000	\$ 32,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 2,827,834	\$ 2,827,834	\$ -	\$ 2,391,237	\$ (436,597)
Office Rent	-	-	-	-	-
Office Costs	1,454,296	1,540,834	86,538	1,387,860	(66,436)
Professional Services	-	-	-	-	-
Miscellaneous	9,200	9,201	-	9,300	100
Total Operating Expenses, excluding Depreciation	\$ 4,291,330	\$ 4,377,868	\$ 86,538	\$ 3,788,397	\$ (502,933)
Total Direct Expenses	\$ 14,432,846	\$ 14,723,691	\$ 290,845	\$ 15,394,541	\$ 961,694
Indirect Expenses	\$ 11,366,670	\$ 11,240,813	\$ (125,857)	\$ 12,689,462	\$ 1,322,792
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 8,791	\$ 8,791
Total Expenses (B)	\$ 25,799,517	\$ 25,964,504	\$ 164,987	\$ 28,092,794	\$ 2,293,277
Change in Net Assets (=A-B)	\$ 318,884	\$ 474,577	\$ 155,693	\$ 284,173	\$ (34,711)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 1,186,143	\$ 1,295,882	\$ 109,739	\$ 577,228	\$ (608,915)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (1,117,560)	\$ (957,243)	\$ 160,317	\$ (553,319)	\$ 564,242
Loan or Financing Lease - Principal Payments (+)	250,301	125,938	(124,363)	260,263	9,962
Net Financing Activity (D)	\$ (867,259)	\$ (831,305)	\$ 35,954	\$ (293,056)	\$ 574,204
Total Budget (=B+C+D)	\$ 26,118,401	\$ 26,429,081	\$ 310,680	\$ 28,376,967	\$ 2,258,566
Change in Working Capital (=A-B-C-D)	\$ -	\$ 10,000	\$ 10,000	\$ -	\$ -
FTEs	40.14	38.93	(1.21)	41.69	1.55

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
CRISP Only					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2024 Budget		v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 2,293,937	\$ 2,293,937	\$ -	\$ 2,552,701	\$ 258,764
Penalties Released	43,634	43,634	-	-	(43,634)
Total NERC Funding	\$ 2,337,571	\$ 2,337,571	\$ -	\$ 2,552,701	\$ 215,130
Third-Party Funding					
Third-Party Funding	\$ 9,569,170	\$ 9,262,969	\$ (306,201)	\$ 10,102,701	\$ 533,531
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	40,000	40,000
Interest & Investment Income	1,000	240,000	239,000	140,000	139,000
Total Funding (A)	\$ 11,907,740	\$ 11,840,539	\$ (67,201)	\$ 12,835,401	\$ 927,661
Expenses					
Personnel Expenses					
Salaries	\$ 1,040,627	\$ 1,090,230	\$ 49,603	\$ 1,320,771	\$ 280,144
Payroll Taxes	61,024	51,296	(9,728)	75,677	14,653
Benefits	189,766	185,407	(4,359)	257,865	68,099
Retirement Costs	109,344	106,608	(2,735)	141,335	31,991
Total Personnel Expenses	\$ 1,400,761	\$ 1,433,542	\$ 32,780	\$ 1,795,649	\$ 394,888
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 45,000	\$ 81,601	\$ 36,601	\$ 108,000	\$ 63,000
Travel	36,000	66,000	30,000	38,000	2,000
Total Meetings & Travel Expenses	\$ 81,000	\$ 147,601	\$ 66,601	\$ 146,000	\$ 65,000
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 7,345,021	\$ 7,114,241	\$ (230,780)	\$ 7,675,000	\$ 329,979
Office Rent	-	-	-	-	-
Office Costs	547,800	475,557	(72,243)	551,306	3,506
Professional Services	850,000	550,000	(300,000)	425,000	(425,000)
Miscellaneous	650	651	-	950	300
Total Operating Expenses, excluding Depreciation	\$ 8,743,471	\$ 8,140,448	\$ (603,023)	\$ 8,652,256	\$ (91,215)
Total Direct Expenses	\$ 10,225,232	\$ 9,721,591	\$ (503,641)	\$ 10,593,905	\$ 368,673
Indirect Expenses	\$ 1,623,810	\$ 1,562,106	\$ (61,704)	\$ 2,060,071	\$ 436,260
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 11,849,042	\$ 11,283,697	\$ (565,345)	\$ 12,653,975	\$ 804,933
Change in Net Assets (=A-B)	\$ 58,698	\$ 556,842	\$ 498,145	\$ 181,426	\$ 122,728
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 182,592	\$ 194,232	\$ 11,640	\$ 228,353	\$ 45,761
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (159,651)	\$ (133,026)	\$ 26,625	\$ (85,007)	\$ 74,644
Loan or Financing Lease - Principal Payments (+)	35,757	17,501	(18,256)	38,080	2,323
Net Financing Activity (D)	\$ (123,894)	\$ (115,525)	\$ 8,369	\$ (46,927)	\$ 76,967
Total Budget (=B+C+D)	\$ 11,907,740	\$ 11,362,404	\$ (545,336)	\$ 12,835,401	\$ 927,661
Change in Working Capital (=A-B-C-D)	\$ -	\$ 478,136	\$ 478,136	\$ -	\$ -
FTEs	5.73	5.41	(0.32)	6.77	1.03

Personnel Certification and Credential Maintenance

Personnel Certification and Credential Maintenance (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	2.82	2.87	0
Direct Expenses	\$ 1,108,890	\$ 1,153,180	\$ 44,290
Indirect Expenses	798,595	872,669	74,074
Other Non-Operating Expenses	-	1,704	1,704
Fixed Asset Additions	115,209	37,427	(77,782)
Financing Activity	(60,932)	(14,899)	46,033
Total Budget	\$ 1,961,763	\$ 2,050,082	\$ 88,319

Purpose and Scope

The Personnel Certification and Credential Maintenance group oversees the System Operator Certification and Credential Maintenance programs that promote reliability of the North American bulk power system (BPS) by ensuring that system operators maintain their required credentials to work in system control centers across North America. NERC’s system operator certification exam tests specific knowledge of job skills and Reliability Standards and also prepares operators to handle the BPS during normal and emergency operations. Certification is maintained by completing NERC-approved Credential Maintenance Program courses and activities.

The Personnel Certification Governance Committee (PCGC) is a NERC standing committee that provides oversight to implement and maintain the integrity and independence of the NERC System Operator Certification Program. The Credential Maintenance Working Group reports to the PCGC and is responsible for developing and maintaining the Credential Maintenance Program under the general guidelines set by the PCGC. The PCGC’s Exam Working Group, which consists of subject matter experts from all regions of North America, is responsible for doing an extensive job analysis survey of certified operators across the industry, which provides the basis for the exams. NERC contracts with psychometric consultants who assist a working group of certified system operators in the development and maintenance of each exam.

The System Operator Certification and Credential Maintenance programs are completely self-funded through exam and continuing education provider fees, and the PCGC oversees the programs’ budgets. More information on the [System Operator Certification and Credential Maintenance Program](#) is available on the NERC website.

2024 Areas of Focus

Key areas of focus for Personnel Certification and Credential Maintenance include:

- Seek industry input on improvement opportunities for the Personnel Certification and Credential Maintenance Program and develop and implement any changes
- Move to a new exam development and scheduling vendor selected in 2023
- Complete the System Operator Certification Continuing Education Database (SOCCED) update to Clarus Best

2024 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2023 budget to the 2024 budget. The Contractors & Consultants budget includes support for exam testing and development, credential maintenance audit and review services, and technology-related support (see below).

2024 Technology Requirements

The Office Costs budget includes software licenses and support for SOCCED. The Contractors & Consultants budget includes funds for SOCCED support and maintenance.

Explanation of Significant Cost Changes from 2023 to 2024

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department's budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Personnel Certification and Credential Maintenance is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease for Fixed Asset Additions is due to (1) the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Personnel Certification and Credential Maintenance and (2) a reclassification of SOCCED capital software costs to contractors and consultants, which is offset by decreased general contractor support for the System Operator Certification and Credential Maintenance program.

Net Financing Activity

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Personnel Certification and Credential Maintenance.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Personnel Certification and Credential Maintenance					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection v 2023 Budget Over(Under)	Budget	2024 Budget v 2023 Budget Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Third-Party Funding					
Testing, Renewal, & Continuing Ed Fees	1,781,775	1,891,798	110,023	1,796,086	14,311
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	500	60,000	59,500	40,000	39,500
Total Funding (A)	\$ 1,782,275	\$ 1,951,798	\$ 169,523	\$ 1,836,086	\$ 53,811
Expenses					
Personnel Expenses					
Salaries	\$ 340,141	\$ 344,206	\$ 4,065	\$ 379,729	\$ 39,589
Payroll Taxes	24,946	24,291	(655)	26,046	1,100
Benefits	43,337	41,178	(2,159)	49,902	6,565
Retirement Costs	38,117	38,314	197	41,985	3,868
Total Personnel Expenses	\$ 446,540	\$ 447,988	\$ 1,448	\$ 497,662	\$ 51,122
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 68,000	\$ 63,000	\$ (5,000)	\$ 72,000	\$ 4,000
Travel	18,000	28,600	10,600	23,500	5,500
Total Meetings & Travel Expenses	\$ 86,000	\$ 91,599	\$ 5,599	\$ 95,500	\$ 9,500
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 407,750	\$ 572,281	\$ 164,531	\$ 382,260	\$ (25,490)
Office Rent	-	-	-	-	-
Office Costs	168,300	181,795	13,495	177,458	9,158
Professional Services	-	-	-	-	-
Miscellaneous	300	300	-	300	-
Total Operating Expenses, excluding Depreciation	\$ 576,350	\$ 754,375	\$ 178,025	\$ 560,018	\$ (16,332)
Total Direct Expenses	\$ 1,108,890	\$ 1,293,963	\$ 185,072	\$ 1,153,180	\$ 44,290
Indirect Expenses	\$ 798,595	\$ 840,246	\$ 41,651	\$ 872,669	\$ 74,074
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ 1,704	\$ 1,704
Total Expenses (B)	\$ 1,907,485	\$ 2,134,209	\$ 226,723	\$ 2,027,553	\$ 120,068
Change in Net Assets (=A-B)	\$ (125,210)	\$ (182,411)	\$ (57,200)	\$ (191,467)	\$ (66,257)
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 115,209	\$ 127,581	\$ 12,372	\$ 37,427	\$ (77,782)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (78,517)	\$ (71,553)	\$ 6,964	\$ (36,010)	\$ 42,507
Loan or Financing Lease - Principal Payments (+)	17,586	9,414	(8,172)	21,111	3,526
Net Financing Activity (D)	\$ (60,932)	\$ (62,139)	\$ (1,207)	\$ (14,899)	\$ 46,033
Total Budget (=B+C+D)	\$ 1,961,763	\$ 2,199,650	\$ 237,887	\$ 2,050,082	\$ 88,319
Change in Working Capital (=A-B-C-D)	\$ (179,488)	\$ (247,852)	\$ (68,364)	\$ (213,996)	\$ (34,508)
FTEs	2.82	2.91	0.09	2.87	0.05

Training and Education

Training and Education (in whole dollars)			
	2023 Budget	2024 Budget	Increase (Decrease)
FTE Reporting	1.88	1.88	-
Direct Expenses	\$ 587,898	\$ 589,978	\$ 2,080
Indirect Expenses	532,397	572,242	39,845
Other Non-Operating Expenses	-	-	-
Fixed Asset Additions	43,473	24,542	(18,930)
Financing Activity	(40,621)	(13,035)	27,586
Total Budget	\$ 1,123,146	\$ 1,173,727	\$ 50,581

Purpose and Scope

Section 901 of the NERC Rules of Procedure acknowledges the need to acquire and sustain informed, knowledgeable, and skilled personnel in order to assure the reliable operation of the North American bulk power system (BPS). The Training and Education group facilitates the learning and development of NERC and ERO Enterprise staff as well as BPS industry participants.¹⁷ The program oversees and coordinates learning activities and resources that support the acquisition and increase of knowledge and skills among stakeholders. Learners are typically engaged through learning events and products and resources, such as custom-made and off-the-shelf interactive self-paced e-learning modules, video-based learning, and in-person and live-webinar instructor-led training.

2024 Areas of Focus

Key areas of focus for Training and Education include support related to:

- Leadership development, new hire orientation, and confidential information training
- Events, including GridEx and the annual ERO Enterprise Compliance Monitoring and Enforcement Program (CMEP) Staff Workshop
- Training materials for the Align CMEP tool

2024 Resource Requirements

There is no change in full-time equivalents (FTEs) from the 2023 budget to the 2024 budget. The Contractors & Consultants budget includes support for various training initiatives, including those that specifically support learning for and growth of the ERO Enterprise.

2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the learning management system content and platform.

¹⁷ NERC’s Human Resources budget includes funding for general NERC employee training and development.

Explanation of Significant Cost Changes from 2023 to 2024

Indirect Expenses

Expenses incurred in the Corporate Services departments are considered indirect and are allocated to the statutory program departments based on the ratio of each department’s budgeted FTEs to total budgeted statutory FTEs. The increase in Indirect Expenses for Training and Education is due to the combination of the increase in FTEs explained above and the overall increase in expenses for the Corporate Services departments.

Fixed Asset Additions

The decrease for Fixed Asset Additions is due to the overall decrease in fixed asset expenditures in the Corporate Services departments, resulting in a decrease in the allocation of fixed asset expenditures from the Corporate Services departments to Training and Education.

Net Financing Activity

The change in Net Financing Activity is primarily due to the change in financing activity in the Corporate Services departments, resulting in a change to the allocation of financing activity from the Corporate Services departments to Training and Education.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Training and Education					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ 1,107,831	\$ 1,107,831	\$ -	\$ 1,162,137	\$ 54,305
Penalties Released	14,306	14,306	-	-	(14,306)
Total NERC Funding	\$ 1,122,138	\$ 1,122,137	\$ -	\$ 1,162,137	\$ 39,999
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	1,009	17,054	16,045	11,590	10,582
Total Funding (A)	\$ 1,123,146	\$ 1,139,191	\$ 16,045	\$ 1,173,727	\$ 50,581
Expenses					
Personnel Expenses					
Salaries	\$ 249,925	\$ 254,376	\$ 4,451	\$ 260,530	\$ 10,606
Payroll Taxes	20,183	24,238	4,055	19,285	(898)
Benefits	48,836	45,427	(3,409)	53,109	4,273
Retirement Costs	31,154	31,468	314	29,254	(1,900)
Total Personnel Expenses	\$ 350,098	\$ 355,510	\$ 5,412	\$ 362,178	\$ 12,080
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 2,000	\$ 2,000	\$ -	\$ 2,000	\$ -
Travel	3,500	3,500	-	3,500	-
Total Meetings & Travel Expenses	\$ 5,500	\$ 5,499	\$ -	\$ 5,500	\$ -
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 90,000	\$ 90,000	\$ -	\$ 90,000	\$ -
Office Rent	-	-	-	-	-
Office Costs	141,600	141,951	350	131,600	(10,000)
Professional Services	-	-	-	-	-
Miscellaneous	700	699	-	700	-
Total Operating Expenses, excluding Depreciation	\$ 232,300	\$ 232,650	\$ 350	\$ 222,300	\$ (10,000)
Total Direct Expenses	\$ 587,898	\$ 593,659	\$ 5,762	\$ 589,978	\$ 2,080
Indirect Expenses	\$ 532,397	\$ 560,164	\$ 27,767	\$ 572,242	\$ 39,845
Other Non-Operating Expenses	\$ -	\$ -	\$ -	\$ -	\$ -
Total Expenses (B)	\$ 1,120,295	\$ 1,153,823	\$ 33,529	\$ 1,162,220	\$ 41,926
Change in Net Assets (=A-B)	\$ 2,852	\$ (14,632)	\$ (17,484)	\$ 11,507	\$ 8,656
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 43,473	\$ 51,721	\$ 8,248	\$ 24,542	\$ (18,930)
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ (52,345)	\$ (47,702)	\$ 4,643	\$ (23,613)	\$ 28,732
Loan or Financing Lease - Principal Payments (+)	11,724	6,276	(5,448)	10,578	(1,146)
Net Financing Activity (D)	\$ (40,621)	\$ (41,426)	\$ (805)	\$ (13,035)	\$ 27,586
Total Budget (=B+C+D)	\$ 1,123,146	\$ 1,164,118	\$ 40,972	\$ 1,173,727	\$ 50,581
Change in Working Capital (=A-B-C-D)	\$ -	\$ (24,927)	\$ (24,927)	\$ -	\$ -
FTEs	1.88	1.94	0.06	1.88	0.00

Corporate Services

Corporate Services (in whole dollars)						
	Direct Expenses, Fixed Assets, & Net Financing Activity			FTEs		
	2023 Budget	2024 Budget	Increase (Decrease)	2023 Budget	2024 Budget	Increase (Decrease)
General & Administrative ¹	\$ 9,020,093	\$ 13,367,157	\$ 4,347,064	19.74	19.90	0.16
Legal & Regulatory	5,552,134	6,039,593	487,459	16.92	15.98	(0.94)
Business Technology	20,442,840	21,337,325	894,485	31.21	35.20	3.99
Human Resources & Administration	4,334,818	4,370,669	35,851	12.22	10.34	(1.88)
Finance & Accounting	2,881,218	3,205,083	323,865	8.46	9.40	0.94
Total Corporate Services	\$ 42,231,103	\$ 48,319,827	\$ 6,088,724	88.55	90.82	2.27

¹ In the 2023 budget, loan financing activity for capital software projects was budgeted in G&A and allocated to the statutory program departments using the FTE ratio allocation method. In 2024, loan financing activity for capital software is budgeted directly in the respective statutory program and corporate services departments based on a weighted percentage of capital software project costs. Since the 2023 G&A budget included \$4.0M in loan proceeds, which decreases the total G&A budget, this shift is the primary reason for the \$4.3M increase to the G&A budget in 2024.

Scope and Functional Description

NERC’s Corporate Services area (formerly called Administrative Programs) includes the budget for all business and administrative functions of the organization, including (1) General & Administrative; (2) Legal & Regulatory; (3) Business Technology; (4) Human Resources (HR) & Administration; (5) Finance & Accounting; and (6) other general expenses necessary to support statutory program activities.

The Corporate Services department budgets include the same cost categories as the statutory program departments, including personnel, contractors and consultants, meetings and travel, office costs, professional services, fixed asset additions (fixed assets), and financing activity. These costs support NERC on the organizational level. If it is identified that a Corporate Services function provides dedicated support or manages investments that materially and quantifiably benefit a certain statutory program department, those associated costs are budgeted in the applicable statutory program department budget.

Since the activities of the Corporate Services departments support the entire organization, the budgets of the Corporate Services departments are allocated to the statutory program departments using the full time equivalent (FTE) ratio allocation method. The FTE ratio allocation method uses a percentage calculation of the number of FTEs in each statutory program department divided into the total statutory program department FTEs. This calculated percentage is used for the following allocations from the Corporate Services departments to the statutory program departments:

- Interest and Investment Income. The Cybersecurity Risk Information Sharing Program (CRISP) and the System Operator Certification program are excluded from the investment income allocation since these programs earn investment income from cash directly generated by their program.
- Miscellaneous Funding
- Direct and Non-Operating Expenses
- Fixed Assets
- Financing Activity

General & Administrative

The General & Administrative (G&A) area is responsible for the administration and general management of the organization. Expenses in this area include office rent as well as personnel and related costs for (1) the Chief Executive Officer (CEO) and support staff and the Chief Administrative Officer (CAO); (2) the External Affairs department; and (3) Board of Trustees (Board) costs.

External Affairs

The External Affairs department includes staff who are focused on five areas: (1) addressing policy matters that arise in legislative and regulatory arenas and managing outreach at the state, federal, and provincial levels; (2) serving as the liaison with government entities and industry stakeholders in the United States, Mexico and Canada; (3) managing all external and internal communications that support NERC initiatives, including media coordination, development of messaging and announcements, the public NERC website, social media, and other outreach, as well as facilitating consistent messaging internally and across the ERO Enterprise; (4) editing and design of all NERC publications including assessments, white papers, and guidelines; and (5) support for the Member Representatives Committee the ERO Enterprise Executive Leadership Team.

Board Costs

The following table details the Board costs included in the total G&A expenses.

Board of Trustee Expenses	2023 Budget	2024 Budget	Increase (Decrease)		
Meeting and Travel Expenses					
Quarterly Board Meetings	\$ 240,000	\$ 240,000	\$ -		0.0%
Trustee Travel	200,000	200,000	-		0.0%
Total	\$ 440,000	\$ 440,000	\$ -		0.0%
Professional Services					
Independent Trustee Fees	\$ 1,568,496	\$ 1,612,500	\$ 44,004		2.8%
Trustee Search Fees	-	100,000	100,000		
Total	\$ 1,568,496	\$ 1,712,500	\$ 144,004		9.2%
Total	\$ 2,008,496	\$ 2,152,500	\$ 144,004		7.2%

The increase for Independent Trustee Fees is due the approved increase of \$4,000 per trustee, which is based on the independent study on trustee compensation completed at the end of 2021. The increase for Trustee Search Fees is to conduct a search to fill one anticipated trustee vacancy.

Legal & Regulatory

The Legal & Regulatory department supports the NERC statutory program and corporate services departments and is responsible for providing a wide range of governance and legal support regarding corporate, commercial, insurance, contract, employment, antitrust, real estate, copyright, tax, legislation, and other legal matters. The department also addresses legal and regulatory matters that arise in connection with NERC's role as the ERO and the delegation agreements with the Regional Entities. Additionally, the Legal & Regulatory department includes the Internal Audit and Corporate Risk Management functions, explained further below.

Internal Audit

The Internal Audit group performs independent, objective activities (i.e., audits and assessments) designed to add value and improve NERC and Regional Entity operations. The activities ensure that (1) risks are appropriately identified, managed, and monitored across NERC and the ERO Enterprise; (2) internal control systems are adequately promoted and are effectively functioning; and (3) significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the Board are reported. Internal Audit specifically engages with NERC's Compliance and Certification Committee to collaborate on monitoring of the ERO Enterprise as contemplated by Sections 406, 506, and Appendix 4A of the NERC Rules of Procedure.

Corporate Risk Management

The Corporate Risk Management (CRM) area focuses on ERO Enterprise corporate financial, operational, legal, regulatory, and compliance risks. In coordination with Internal Audit, CRM also conducts dynamic enterprise risk management, which is based on the Committee of Sponsoring Organization of the Treadway Commission framework. CRM also works with the Regional Entities to enhance the ERO Enterprise-wide corporate risk identification and risk mitigation efforts, resulting in more streamlined and coordinated reports and harmonized assessment of ERO Enterprise risks and processes.

Business Technology

NERC's Business (Information) Technology department provides the technology and management needed for the organization to maintain daily operations and meet ERO statutory obligations, including applications and infrastructure leveraged by the ERO Enterprise and registered entities. The Business Technology department includes a Project Management Office (PMO) that provides project management skills and leadership for major ERO Enterprise and NERC business technology projects. NERC's Business Technology department focuses on five key areas: cyber security, NERC infrastructure support, the Electricity Information Sharing and Analysis Center (E-ISAC), ERO Enterprise application and infrastructure support, and ERO Enterprise new functionality.¹⁸ Business Technology manages NERC's overall technology strategy, which is discussed in more detail in the *Introduction and Executive Summary*.

HR & Administration

The HR & Administration department performs activities related to payroll, benefits and retirement plan administration, employee relations, performance and compensation management, succession planning, leadership and employee development, facilities management, and meeting planning and coordination. The HR function manages NERC's overall people strategy, which is designed to create an employee experience that meets the expectations of an evolving workforce and attracts, retains, and engages top talent by supporting a more sustainable, diverse, post-pandemic organization. This strategy is intended to ensure NERC has the talent to meet its goals as outlined in its four strategic areas of focus. A critical component to NERC's people strategy is workforce planning, which is discussed in more detail in the *Introduction and Executive Summary*.

Finance & Accounting

NERC's Finance & Accounting department manages all finance and accounting functions, including accounts payable and receivable, assessment and CRISP billing, travel and expense reporting, budget management, financial reporting, corporate insurance program management, coordination of the annual external financial statement audit and Form 990, and property, sales, and use tax returns. This area also holds primary responsibility for the development of the annual business plan and budget and associated stakeholder outreach efforts. NERC Finance & Accounting manages systems, policies, procedures, and controls governing day-to-day practices, including procurement, expense reimbursement, and back office systems and procedures.

¹⁸ The E-ISAC is a specific area of focus for the Business Technology department given the amount of human and technology resources need to support the E-ISAC's critical mission to provide quality analysis and rapid sharing of security information on how to mitigate complex, constantly evolving threats to the grid. However, as discussed in the Corporate Services Scope and Functional Description section above, to the extent that any costs are primarily incurred to support the E-ISAC, those costs are directly assigned to the E-ISAC's budget.

2024 Areas of Focus

Key areas of focus for Corporate Services include:

- Continuing to enhance state outreach and engagement, including further developed outreach for ERO Enterprise assessments and reports, and expanding collaboration efforts with the National Association of Regulatory Utility Commissioners and government partners
- Elevating communication efforts across the ERO Enterprise to better educate, inform, and engage current stakeholders as well as working with subject matter experts to identify and attract new stakeholder groups
- Maturing internal assurance programs, including internal audit, risk management, and contingency planning
- Implementing and supporting adaptable and sustainable technology and enhancing cyber security to focus on prevention, detection, and mitigation
- Increasing automation and controls across the HR and Finance & Accounting areas

2024 Resource Requirements

The increase of 2.27 FTEs in the Corporate Services departments from the 2023 budget to the 2024 budget is the net result of (1) the addition of two roles in Business Technology to support cloud computing and system administration and one role in External Affairs to support the publications team; (2) the reallocation of staff from and to Corporate Services departments to better align with functional responsibilities; and (3) the reduction of one support role that will be filled with contractor support.

The Contractors & Consultants budget includes various support and consulting needs across the Corporate Services departments, with the largest investments in Business Technology and HR & Administration. This includes support for Business Technology related to applications and infrastructure, cyber security, and the PMO, as well as HR functional services, such as executive coaching, leadership training, and administrative support. Additional contractor and consultant expenses in the Corporate Services area include audit support for the Internal Audit function and conversion activities related to the implementation of a new Finance & Accounting system.

2024 Technology Requirements

The majority of the Office Costs budget is related to software licenses and support for the Corporate Services departments, especially in Business Technology for the software required to support cyber security and overall daily operations. The Fixed Assets Additions budget includes funding for capital software projects in the Business Technology department that benefit company operations, including upgrades to the Customer Relationship Management platform and NERC website, as well as equipment replacements and upgrades to support operational sustainability. The Fixed Assets budget also includes funds for continued implementation of or enhancements to new Finance & Accounting and HR systems.

Explanation of Significant Cost Changes from 2023 to 2024

Personnel

The increase for Personnel is related to the increase in FTEs explained above and salary increase and benefit cost assumptions discussed in the *Introduction and Executive Summary*.

Contractors & Consultants

The increase for Contractors & Consultants is due to (1) additional support needs related to the investments discussed in the Technology Requirements above and (2) the reclassification of technology costs from the Fixed Asset Additions budget for capital software to Contractors & Consultants, which is offset by a decrease in Fixed Asset Additions.

Office Costs

The increase in Office Costs is primarily related to the annual escalation for existing software agreements budgeted in the Business Technology department that support cyber security and daily operations. There is also an increase in software license costs in the HR & Administration and Finance & Accounting budgets due to the implementation of new HR and Finance & Accounting systems.

Professional Services

The increase in Professional Services is due to a combination of (1) the partial reclassification of insurance costs from the CRISP budget to G&A due to decreased CRISP participant responsibility for these insurance costs, as agreed up on by the CRISP participants and NERC; (2) the trustee search fees discussed in Board costs above; and (3) an increase in legal expenses for real estate matters as NERC explores options for its Atlanta office location in anticipation of the current office lease expiration in 2025.

Fixed Asset Additions

There is a significant decrease in fixed asset expenditures from the 2023 budget to the 2024 budget due to a reclassification of technology support from the Fixed Asset Additions budget for capital software to Contractors & Consultants, which is offset by an increase in the Contractors & Consultants budget.

Net Financing Activity

Total NERC net financing activity (the net of loan and lease financing proceeds and payments) for 2024 is close to the net financing budget for 2023. However, in the 2023 budget, loan financing activity for capital software projects was budgeted in G&A and allocated to the statutory program departments using the FTE ratio allocation method. In 2024, loan financing activity for capital software is budgeted directly in the respective statutory program and corporate services departments based on a weighted percentage of capital software project costs. As such, a portion of loan financing activity has shifted out of the Corporate Services area to the statutory programs from the 2023 to 2024 budget. See the capital financing assumptions discussed in the *Introduction and Executive Summary* for additional information.

Section A – 2024 Business Plan and Budget Program Area and Department Detail

Statement of Activities and Fixed Asset Additions					
2023 Budget & Projection and 2024 Budget					
Corporate Services					
	2023	2023	Variance	2024	Variance
	Budget	Projection	2023 Projection	Budget	2024 Budget
			v 2023 Budget		v 2023 Budget
			Over(Under)		Over(Under)
Funding					
NERC Funding					
NERC Assessments	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ 1,000,000
Penalties Released	-	-	-	-	-
Total NERC Funding	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ 1,000,000
Third-Party Funding					
Third-Party Funding	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	-	-	-	-	-
Services & Software	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Interest & Investment Income	-	0	-	-	-
Total Funding (A)	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ 1,000,000
Expenses					
Personnel Expenses					
Salaries	\$ 17,970,873	\$ 18,466,074	\$ 495,201	\$ 19,568,995	\$ 1,598,122
Payroll Taxes	935,516	899,548	(35,968)	985,380	49,864
Benefits	2,623,091	2,290,365	(332,726)	2,847,741	224,650
Retirement Costs	1,744,448	1,774,462	30,014	1,920,001	175,554
Total Personnel Expenses	\$ 23,273,928	\$ 23,430,449	\$ 156,521	\$ 25,322,118	\$ 2,048,190
Meetings & Travel Expenses					
Meetings & Conference Calls	\$ 593,400	\$ 593,401	\$ -	\$ 519,400	\$ (74,000)
Travel	761,000	841,000	80,000	822,200	61,200
Total Meetings & Travel Expenses	\$ 1,354,400	\$ 1,434,400	\$ 80,000	\$ 1,341,600	\$ (12,800)
Operating Expenses, excluding Depreciation					
Contractors & Consultants	\$ 4,945,510	\$ 4,608,732	\$ (336,778)	\$ 6,352,096	\$ 1,406,586
Office Rent	3,022,266	3,022,266	-	3,089,858	67,592
Office Costs	6,580,619	6,494,978	(85,641)	7,708,006	1,127,387
Professional Services	2,425,596	2,427,225	1,629	3,092,866	667,270
Miscellaneous	182,783	184,484	1,701	123,350	(59,433)
Total Operating Expenses, excluding Depreciation	\$ 17,156,774	\$ 16,737,685	\$ (419,089)	\$ 20,366,176	\$ 3,209,402
Total Direct Expenses	\$ 41,785,102	\$ 41,602,534	\$ (182,568)	\$ 47,029,894	\$ 5,244,791
Indirect Expenses	\$ (42,006,102)	\$ (41,818,825)	\$ 187,277	\$ (47,367,316)	\$ (5,361,213)
Other Non-Operating Expenses	\$ 221,000	\$ 216,291	\$ (4,709)	\$ 337,422	\$ 116,422
Total Expenses (B)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ 1,000,000
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity					
Loan or Financing Lease - Borrowing (-)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	-	-	-	-	-
Net Financing Activity (D)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C+D)	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (1,000,000)	\$ (1,000,000)	\$ -	\$ -	\$ 1,000,000
FTEs	88.55	85.91	(2.64)	90.82	2.27

Section B – Supplemental Financial Information

Breakdown by Statement of Activity Sections

The following detailed schedules support the consolidated Statement of Activities.

Table B-1 – Total Reserves Analysis

Total Reserves Analysis								
Statutory								
	Total Reserves	Future Obligation Reserve ¹	Operating Contingency Reserve ²	System Operator Certification Reserve	CRISP Equipment Reserve ³	CRISP Operating Reserve ³	CRISP Defense Fund Reserve ⁴	Assessment Stabilization Reserve
Beginning Reserves - 1/1/2023	\$ 20,856,504	\$ 2,293,856	\$ 10,880,743	\$ 964,284	\$ -	\$ 2,961,621	\$ 500,000	\$ 3,256,000
Generation(use) of reserves from 2023 projections								
Projected 2023 operating results, including debt service and financing	\$ 2,467,733	\$ -	\$ 2,257,651	\$ (28,366)	\$ -	\$ 238,448	-	\$ -
Budgeted addition(use) of reserves	434,883	614,371	-	(179,488)	-	-	-	-
Other addition(use) of reserves	-	-	-	-	450,000	(450,000)	-	-
Projected Reserves - 12/31/2023	\$ 23,759,120	\$ 2,908,227	\$ 13,138,394	\$ 756,430	\$ 450,000	\$ 2,750,069	\$ 500,000	\$ 3,256,000
Projected Reserves - 12/31/2024	\$ 23,533,682	\$ 2,896,785	\$ 13,138,394	\$ 542,434	\$ 450,000	\$ 2,750,069	\$ 500,000	\$ 3,256,000
Addition(use) of reserves	(225,438)	(11,442)	-	(213,996)	-	-	-	-
Less: Assessment Stabilization Reserve Release - Penalties	-	-	-	-	-	-	-	-
Total Adjustments to Reserves	\$ (225,438)	\$ (11,442)	\$ -	\$ (213,996)	\$ -	\$ -	\$ -	\$ -
Assessment Reconciliation								
2024 Expenses, Capital Expenditures, & Net Financing	\$ 110,644,001							
Less: Assessment Stabilization Reserve Release - Penalties	-							
Addition(use) of reserves	(213,996)							
Less: Other Funding Sources	(13,438,787)							
2024 NERC Assessment	\$ 96,991,218							

¹As explained in the discussion of reserves in the *Introduction and Executive Summary*, the Future Obligations Reserve offsets future, non-current liabilities.

²Except as otherwise approved by the Board, after review by the FAC, the amount of the Operating Contingency Reserve shall be between three and one half (3.5%) percent and seven (7%) percent of the company's total expense, fixed asset, and net financing budget minus the sum of the System Operator Certification and CRISP budgets, each of which have separate reserves.

³In 2022, FERC approved NERC's request to annually redirect underruns of the prior year's CRISP budget to the CRISP Operating Reserve. *North American Electric Reliability Corp., 180 FERC ¶ 61,013 (Letter Order July 8, 2022)*. In 2023, the CRISP participants agreed to transfer \$450k from the CRISP Operating Reserve to fund a CRISP Equipment Reserve.

⁴The CRISP Defense Fund Reserve is intended to fund any expenses related to investigation and defense in connection with a claim pertaining to the CRISP agreement between NERC and participating utilities.

See the 2024 Reserves discussion in the *Introduction and Executive Summary* for further details on the reserve categories and factors impacting reserve balances in 2024.

Table B-2 – Penalties

Penalty Sanctions and Allocation Method

NERC Rules of Procedure (ROP) Section 1107.2 specifies that penalty monies received by NERC during the 12 months ended June 30 are to be used in the subsequent budget year to offset assessments. In 2015, the Board of Trustees (Board) approved an updated *Working Capital and Operating Reserves Policy* that was approved by the Federal Energy Regulatory Commission (FERC). This updated policy allows NERC, with Board and FERC approval pursuant to ROP Section 1107.4, to place penalty funds into an Assessment Stabilization Reserve (ASR) for use in future years to offset assessments. Penalty sanctions released from the ASR are allocated to the following statutory programs to reduce assessments: (1) Reliability Standards and Power Risk Issues Strategic Management, (2) Compliance Assurance and Organization Registration and Certification, (3) Compliance Enforcement, (4) Reliability Assessment and Performance Analysis (RAPA), (5) Situation Awareness, (6) Event Analysis, (7) the Electricity Information Sharing and Analysis Center (E-ISAC), including the Cybersecurity Risk Information Sharing Program (CRISP), and (8) Training and Education. Penalty sanctions are allocated based on the number of full-time equivalents (FTEs) in the program divided by the aggregate total FTEs in the programs receiving the allocation.

Penalty Sanctions	Date Received	Amount Received
Penalties received between 7/1/2022 and 6/30/2023		
	October 2022	\$ 735,000
		<u>\$ 735,000</u>
Penalties received prior to 6/30/2022, held in the assessment stabilization reserve		<u>\$ 2,521,000</u>
Total penalties available on 1/1/2024 to offset assessments		<u><u>\$ 3,256,000</u></u>
Adjustments		
Total penalties released to offset assessments in the 2024 Budget		\$ -
Total penalties held in Assessment Stabilization Reserve 12/31/2024		<u><u>\$ 3,256,000</u></u>

So far during the period July 1, 2022, to June 30, 2023, NERC has collected and is proposing to deposit \$735k of penalty funds into the ASR. NERC is not recommending the release of any funds from the ASR to offset 2024 assessments. The balance held in the ASR will be used for assessment offsets to stabilize and reduce assessments in future years. Though not anticipated, any additional penalties collected up until June 30, 2023, will be reflected in the final 2024 Business Plan and Budget (BP&B).

Table B-3 – Outside Funding

Outside Funding Breakdown By Program (Excludes Any Penalty/Reserve Releases)	2023 Budget	2024 Budget	Increase (Decrease)
Reliability Standards and PRISM			
Interest & Investment Income Allocation	\$ 10,592	\$ 128,364	\$ 117,773
Total	\$ 10,592	\$ 128,364	\$ 117,773
Compliance Assurance, Certification, and Registration			
Interest & Investment Income Allocation	\$ 12,105	\$ 133,290	\$ 121,185
Total	\$ 12,105	\$ 133,290	\$ 121,185
Compliance Enforcement			
Interest & Investment Income Allocation	\$ 6,557	\$ 81,133	\$ 74,576
Total	\$ 6,557	\$ 81,133	\$ 74,576
Reliability Assessment and Performance Analysis			
Services and Software	\$ 60,000	\$ 60,000	\$ -
Interest & Investment Income Allocation	15,636	188,925	173,289
Total	\$ 75,636	\$ 248,925	\$ 173,289
Personnel Certification and Credential Maintenance			
Testing Fees	\$ 526,500	\$ 546,000	\$ 19,500
Certificate Renewals	764,000	748,400	(15,600)
Continuing Education Fees	491,275	501,686	3,250
Interest & Investment Income Allocation	500	40,000	39,500
Total	\$ 1,782,275	\$ 1,836,086	\$ 46,650
Training and Education			
Interest & Investment Income Allocation	\$ 1,009	\$ 11,590	\$ 10,582
Total	\$ 1,009	\$ 11,590	\$ 10,582
Event Analysis			
Interest & Investment Income Allocation	\$ 3,531	\$ 46,941	\$ 43,411
Total	\$ 3,531	\$ 46,941	\$ 43,411
Situation Awareness			
Interest & Investment Income Allocation	\$ 4,035	\$ 52,737	\$ 48,702
Total	\$ 4,035	\$ 52,737	\$ 48,702
E-ISAC			
Third Party Funding (CRISP)	\$ 9,569,170	\$ 10,102,701	\$ 533,531
Miscellaneous Funding	260,000	400,000	140,000
Interest & Investment Income Allocation	22,537	397,019	374,482
Total	\$ 9,851,706	\$ 10,899,719	\$ 1,048,013
Grand Total	\$ 11,747,445	\$ 13,438,787	\$ 1,684,181

The increases in Interest & Investment income are a result of assumed higher investment earnings due to anticipated higher interest rates.

The increase in Testing Fees and decrease in Certificate Renewals reflects the estimate of the numbers of tests and renewals in 2024.

The increase in Third Party Funding (i.e., CRISP participant funding) is primarily related to increased operational costs for the contract with the Pacific Northwest National Laboratory (PNNL), which is fully funded by CRISP participants. The increase in third-party funding is also due to higher personnel costs for CRISP, including an additional FTE that also results in higher allocations of costs from the Corporate Services, for which CRISP participants pay 50%.

The increase in Miscellaneous Funding in E-ISAC is related to estimated increased revenue from the E-ISAC Vendor Affiliate Program, as well as additional funding for CRISP from energy sector support organizations participating in CRISP workshops. See *Section A – Electricity Information Sharing and Analysis Center* for more discussion on E-ISAC and CRISP funding.

Table B-4 – Personnel

Personnel	2023 Budget	2024 Budget	Increase (Decrease)	
Salaries	\$ 44,250,356	\$ 49,027,290	\$ 4,776,934	10.8%
Payroll Taxes	2,513,603	2,655,107	141,504	5.6%
Benefits	6,624,553	7,579,139	954,586	14.4%
Retirement	4,629,894	5,128,217	498,323	10.8%
Total	\$ 58,018,406	\$ 64,389,753	\$ 6,371,348	11.0%
FTEs	236.88	246.44	9.56	4.0%
Cost per FTE				
Salaries	\$ 15,567	\$ 16,579	\$ 1,012	6.5%
Payroll Taxes	884	898	14	1.5%
Benefits	2,330	2,563	232	10.0%
Retirement	1,629	1,734	105	6.5%
Total	\$ 20,411	\$ 21,774	\$ 1,363	6.7%

The increase in overall personnel costs is primarily related to the increase of 9.56 FTEs and salary and benefit increase assumptions. See the Personnel and 2024 Program Budget and FTE Comparisons discussions in the *Introduction and Executive Summary* for more details.

Table B-5 – Meetings & Travel

Meetings & Travel	2023 Budget	2024 Budget	Increase (Decrease)	
Meetings & Conference Calls	\$ 1,291,650	\$ 1,355,300	\$ 63,650	4.9%
Travel	1,853,900	2,051,500	197,600	10.7%
Total	\$ 3,145,550	\$ 3,406,800	\$ 261,250	8.3%

While more virtual and hybrid options are available, meeting and travel costs are increasing due to inflation and NERC engagement requests and attendance. The 2024 budget marks the return to pre-pandemic levels (following a reduction in these budget areas in 2021 and 2022 related to the pandemic).

Table B-6 – Contractors & Consultants

Contractors & Consultants	2023 Budget	2024 Budget	Increase(Decrease)
Reliability Standards & PRISM			
SBS and PRISM Application Support	\$ 90,739	\$ 107,888	\$ 17,149
Engineering and Standards Support	112,000	112,000	-
Total	\$ 202,739	\$ 219,888	\$ 17,149
CMEP			
Process Documentation Support	\$ 50,000	\$ -	\$ (50,000)
Secure Evidence Locker Annual Certification	100,000	100,000	-
Align and Secure Evidence Locker Application Support	-	1,249,866	1,249,866
BES Exception Process and CORES Application Support	40,800	105,388	64,588
Workshop Facilitation	19,000	22,000	3,000
Total	\$ 209,800	\$ 1,477,254	\$ 1,267,454
RAPA			
RADS, GADS, pc-GAR, and GMD Application Support	\$ 301,654	\$ 344,400	\$ 42,746
Reliability Analyses, Studies, Research, and Other Support	555,000	627,000	72,000
Workshop Facilitation	20,000	20,000	-
Total	\$ 876,654	\$ 991,400	\$ 114,746
Event Analysis			
TEAMS Application Support	\$ 90,802	\$ 35,000	\$ (55,802)
Event Analysis Activity and Review Support	130,000	130,000	-
Total	\$ 220,802	\$ 165,000	\$ (55,802)
Situation Awareness			
Situation Awareness Application Support	\$ 23,000	\$ 83,000	\$ 60,000
Total	\$ 23,000	\$ 83,000	\$ 60,000
E-ISAC			
Security and Other Consulting	\$ 413,198	\$ 393,767	\$ (19,431)
GridEx and Other Events	626,000	305,660	(320,340)
Technology Support	447,991	564,053	116,062
Watch Operations	940,645	727,757	(212,888)
Partnerships	400,000	400,000	-
CRISP PNNL and Other Participant Paid	6,982,599	7,400,000	417,401
Other CRISP Support	362,422	275,000	(87,422)
Total	\$ 10,172,855	\$ 10,066,237	\$ (106,618)
Personnel Certification and Credential Maintenance			
System Operator Testing Expenses and Examination Development	\$ 110,750	\$ 159,760	\$ 49,010
Special Project and Other Support	102,000	52,500	(49,500)
Continuing Education Audit and Review Services	120,000	120,000	-
SOCCEd Database Support	75,000	50,000	(25,000)
Total	\$ 407,750	\$ 382,260	\$ (25,490)
Training and Education			
ERO Enterprise and Industry Learning and Development Support	\$ 90,000	\$ 90,000	\$ -
Total	\$ 90,000	\$ 90,000	\$ -
General & Administrative			
Communications Support	\$ 20,000	\$ 75,000	\$ 55,000
Executive and Leadership Support	100,000	125,000	25,000
Total	\$ 120,000	\$ 200,000	\$ 80,000
Business Technology			
Applications & Infrastructure, Security, PMO and Operations Support	\$ 3,420,510	\$ 4,597,096	\$ 1,176,586
Total	\$ 3,420,510	\$ 4,597,096	\$ 1,176,586
Human Resources & Administration			
Training and Development	\$ 440,000	\$ 290,000	\$ (150,000)
HR Consulting and Other Services	410,000	545,000	135,000
Total	\$ 850,000	\$ 835,000	\$ (15,000)
Finance & Accounting			
Accounting and System Administration Support	\$ 350,000	\$ 465,000	\$ 115,000
Total	\$ 350,000	\$ 465,000	\$ 115,000
Legal & Regulatory			
Internal Audit Support	\$ 195,000	\$ 245,000	\$ 50,000
Workshop Facilitation	10,000	10,000	-
Total	\$ 205,000	\$ 255,000	\$ 50,000
Total Contractors & Consultants	\$ 17,149,110	\$ 19,827,135	\$ 2,678,025

The increase for the Compliance Monitoring and Enforcement Program (CMEP) is primarily due to a combination of the following related to the Align and ERO Secure Evidence Locker (SEL) systems: (1) the incremental addition of dedicated system administrators and support; (2) the reclassification of dedicated tier 1, quality assurance, and business analyst support from Business Technology to Compliance Assurance and Enforcement; and (3) the partial reclassification of Align enhancement costs from capital software to contractors and consultants within the Compliance Assurance and Enforcement budgets.

The increase for Business Technology is primarily due to the reclassification of technology costs from the fixed assets budget for capital software to contractors and consultants, which is offset by a decrease in the fixed assets budget, and additional support needs as part of the technology strategy investments discussed in the *Introduction and Executive Summary*.

For additional information on contractors and consultants, see the Resource Requirements sections of each program area in *Section A – 2024 Business Plan and Budget Program Area and Department Detail*.

Table B-7 – Rent

Office Rent	2023 Budget	2024 Budget	Increase (Decrease)
Office Rent	\$ 2,872,266	\$ 2,945,858	\$ 73,592 2.6%
Maintenance	150,000	144,000	(6,000) -4.0%
Total	\$ 3,022,266	\$ 3,089,858	\$ 67,592 2.2%

Rent expense in 2024 for the Atlanta and Washington, D.C. offices is based on annual cash rent payments, net of any pro-rated spread of free rent incentives or excess tenant improvement allowances. The increase from the 2023 to the 2024 budget reflects the annual increase per the lease agreements for both offices.

Table B-8 – Office Costs

Office Costs	2023 Budget	2024 Budget	Increase (Decrease)
Telephone	\$ 385,000	\$ 428,592	\$ 43,592 11.3%
Internet	359,249	336,532	(22,717) -6.3%
Office Supplies	129,850	185,495	55,645 42.9%
Computer Supplies	196,450	202,995	6,545 3.3%
Software Licenses & Support	10,035,952	11,020,210	984,258 9.8%
Subscriptions and Publications	440,923	627,596	186,673 42.3%
Dues	170,700	166,156	(4,544) -2.7%
Postage	10,500	6,494	(4,006) -38.2%
Express Shipping	75,200	97,945	22,745 30.2%
Copying	39,900	14,165	(25,735) -64.5%
Stationary & Office Forms	-	105	105 -
Audio/Visual and Hardware Lease	365,000	380,000	15,000 4.1%
Equipment Repair/Service Contracts	144,000	150,000	6,000 4.2%
Bank Charges	30,000	44,400	14,400 48.0%
Merchant Card Fees	97,000	104,173	7,173 7.4%
Total	\$ 12,479,724	\$ 13,764,858	\$ 1,285,134 10.3%

Software Licenses & Support includes non-capital software license and support costs, as well as expenses for infrastructure management software, data center co-location, offsite data backup, and network and security monitoring. The increase in this area is related to (1) annual escalation estimates for software licenses for tools used by the statutory program and Corporate Services departments, particularly for Business Technology and (2) new software products to support the technology strategy discussed in the *Introduction and Executive Summary*.

The increase for Subscriptions and Publications is due to an increase in research and advisory-related subscriptions as a result of the increase in FTEs and strategic initiatives. The remaining changes to Office Costs items are to bring these budgets closer to recent actual costs.

Table B-9 – Professional Services

Professional Services	2023 Budget	2024 Budget	Increase (Decrease)	
Independent Trustee Fees	\$ 1,568,496	\$ 1,612,500	\$ 44,004	2.8%
Trustee Search Fees	-	100,000	100,000	
Outside Legal	495,000	645,000	150,000	30.3%
Government Relations	20,000	20,000	-	0.0%
Accounting and Auditing Fees	145,000	145,000	-	0.0%
Insurance Commercial	1,040,000	862,716	(177,284)	-17.0%
Outside Services	22,100	132,650	110,550	500.2%
Total	\$ 3,290,596	\$ 3,517,866	\$ 227,270	6.9%

The increase for Independent Trustee Fees is due the approved increase of \$4,000 per trustee, which is based on the independent study on trustee compensation completed at the end of 2021. The increase for Trustee Search Fees is to conduct a search to fill one anticipated trustee vacancy.

The increase in Outside Legal is for legal expenses for real estate matters as NERC explores options for its Atlanta office location in anticipation of the current office lease expiration in 2025.

The decrease in Insurance Commercial is due to a reduction in CRISP insurance assumptions, offset by an increase in Outside Services for CRISP support and risk management and advisory services.

Table B-10 – Miscellaneous

Miscellaneous Expenses	2023 Budget	2024 Budget	Increase (Decrease)	
Miscellaneous Expense	\$ 10,250	\$ 12,550	\$ 2,300	22.4%
Employee Rewards and Recognition	52,617	25,400	(27,217)	-51.7%
Employee Engagement	117,917	85,000	(32,917)	-27.9%
Sponsorships	28,000	27,000	(1,000)	-3.6%
Total	\$ 208,783	\$ 149,950	\$ (58,833)	-28.2%

The decrease in Employee Rewards and Recognition is due to the reclassification of funds for the employee referral program from Miscellaneous to Personnel. The decrease in Employee Engagement is to bring this budget closer to recent actual costs.

Table B-11 – Other Non-Operating Expenses

Other Non-Operating Expenses	2023 Budget	2024 Budget	Increase (Decrease)	
Property and Other Tax Expense	\$ 100,000	\$ 140,000	\$ 40,000	40.0%
Interest Expense	154,254	328,040	173,786	112.7%
Total	\$ 254,254	\$ 468,040	\$ 213,786	84.1%

The increase for Property and Other Tax Expense is to bring this budget closer to recent actual costs. The increase for Interest Expense is related to the capital financing assumptions discussed in *Exhibit B – Capital Financing*.

Table B-12 – Fixed Assets

Fixed Asset Additions	2023 Budget	2024 Budget	Increase (Decrease)	
Computer & Software CapEx	\$ 5,319,000	\$ 2,854,000	(2,465,000)	-46.3%
Furniture & Fixtures CapEx	-	-	-	
Equipment CapEx	775,000	-	(775,000)	-100.0%
Capital Lease Assets	130,000	1,770,000	1,640,000	1261.5%
Leasehold Improvements	-	-	-	
Total	\$ 6,224,000	\$ 4,624,000	\$ (1,600,000)	-25.7%

The decrease in Computer and Software CapEx is primarily due to the reclassification of technology costs from the fixed assets budget for capital software to contractors and consultants, which is offset by an increase to the contractors and consultants budget. The decrease in Equipment CapEx and the increase in Capital Lease Assets are related to (1) the reclassification of technology-related equipment from Equipment CapEx to Capital Lease Assets due to the assumption of lease financing for this equipment and (2) equipment for the ERO SEL Development Environment and additional equipment replacements in support of the technology strategy discussed in the *Introduction and Executive Summary*.

Also as mentioned in the *Introduction and Executive Summary*, in 2024 NERC is projecting to finance \$2.4M of the approximate \$2.9M of capital software expenditures reflected in Computer & Software CapEx above, and lease finance the approximately \$1.8M of equipment and server replacements reflected in Capital Lease Assets above. The 2024 loan and lease financing borrowing and loan and lease financing principal payments are reflected in the Net Financing Activity section of NERC's Statement of Activity report. Also see *Exhibit B – Capital Financing* for further details.

Table B-13 – 2025 and 2026 Projections

Statement of Activities and Fixed Asset Additions 2024 Budget & Projected 2025 and 2026 Budgets							
	2024 Budget	2025 Projection	\$ Change 25 vs 24	% Change 25 vs 24	2026 Projection	\$ Change 26 vs 25	% Change 26 vs 25
Funding							
ERO Funding							
NERC Assessments	\$ 96,991,218	\$ 107,803,514	\$ 10,812,296	11.1%	\$ 116,575,903	\$ 8,772,389	8.1%
Penalties Released	-	-	-	-	-	-	-
Total NERC Funding	\$ 96,991,218	\$ 107,803,514	\$ 10,812,296	11.1%	\$ 116,575,903	\$ 8,772,389	8.1%
Third-Party Funding							
Testing Fees	\$ 10,102,701	\$ 10,822,553	\$ 719,852	7.1%	\$ 11,364,615	\$ 542,062	5.0%
Services & Software	1,796,086	1,902,796	106,710	5.9%	1,834,996	(67,800)	-3.6%
Miscellaneous	60,000	60,000	-	0.0%	60,000	-	0.0%
Interest & Investment Income	400,000	520,000	120,000	30.0%	540,000	20,000	3.8%
	1,080,000	1,080,000	-	0.0%	1,080,000	-	0.0%
Total Funding (A)	\$ 110,430,005	\$ 122,188,863	\$ 11,758,858	10.6%	\$ 131,455,514	\$ 9,266,652	7.6%
Expenses							
Personnel Expenses							
Salaries	\$ 49,027,290	\$ 54,108,853	\$ 5,081,563	10.4%	\$ 58,042,152	\$ 3,933,298	7.3%
Payroll Taxes	2,655,107	2,824,190	169,083	6.4%	2,932,202	108,012	3.8%
Benefits	7,579,139	8,537,714	958,575	12.6%	9,486,994	949,280	11.1%
Retirement Costs	5,128,217	5,641,856	513,639	10.0%	6,067,811	425,955	7.5%
Total Personnel Expenses	\$ 64,389,753	\$ 71,112,613	\$ 6,722,860	10.4%	\$ 76,529,159	\$ 5,416,546	7.6%
Meetings & Travel Expenses							
Meetings & Conference Calls	\$ 1,355,300	\$ 1,492,725	\$ 137,425	10.1%	\$ 1,421,151	\$ (71,574)	-4.8%
Travel	2,051,500	2,117,180	65,680	3.2%	2,208,791	91,611	4.3%
Total Meetings and Travel Expenses	\$ 3,406,800	\$ 3,609,905	\$ 203,105	6.0%	\$ 3,629,942	\$ 20,037	0.6%
Operating Expenses, excluding Depreciation							
Contractors and Consultants	\$ 19,827,135	\$ 22,286,613	\$ 2,459,478	12.4%	\$ 23,602,875	\$ 1,316,262	5.9%
Office Rent	3,089,858	3,136,567	46,709	1.5%	2,865,458	(271,109)	-8.6%
Office Costs	13,764,858	14,610,768	845,910	6.1%	15,377,504	766,736	5.2%
Professional Services	3,517,866	3,542,146	24,280	0.7%	3,756,042	213,896	6.0%
Miscellaneous	149,950	150,650	700	0.5%	153,150	2,500	1.7%
Total Operating Expenses, excluding Depreciation	\$ 40,349,667	\$ 43,726,744	\$ 3,377,077	8.4%	\$ 45,755,029	\$ 2,028,285	4.6%
Total Direct Expenses	\$ 108,146,220	\$ 118,449,263	\$ 10,303,042	9.5%	\$ 125,914,130	\$ 7,464,867	6.3%
Indirect Expenses	\$ -	\$ -	\$ -	0.0%	\$ -	\$ -	0.0%
Other Non-Operating Expenses	\$ 468,040	\$ 722,429	\$ 254,389	54.4%	\$ 907,018	\$ 184,589	25.6%
Total Expenses (B)	\$ 108,614,261	\$ 119,171,692	\$ 10,557,431	9.7%	\$ 126,821,148	\$ 7,649,456	6.4%
Change in Net Assets (=A-B)	\$ 1,815,744	\$ 3,017,171	\$ 1,201,427	66.2%	\$ 4,634,366	\$ 1,617,195	53.6%
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 4,624,000	\$ 7,309,000	\$ 2,685,000	58.1%	\$ 8,476,500	\$ 1,167,500	16.0%
Financing Activity							
Loan or Financing Lease - Borrowing (-)	(4,212,498)	(5,862,501)	(1,650,003)	39.2%	(6,812,500)	(949,999)	16.2%
Loan or Financing Lease - Principal Payments (+)	1,618,238	2,178,742	560,504	34.6%	3,160,401	981,659	45.1%
Net Financing Activity (D)	\$ (2,594,260)	\$ (3,683,759)	\$ (1,089,499)	42.0%	\$ (3,652,099)	\$ 31,660	-0.9%
Total Budget (=B+C+D)	\$ 110,644,001	\$ 122,796,933	\$ 12,152,932	11.0%	\$ 131,645,549	\$ 8,848,616	7.2%
Change in Working Capital (=A-B-C-D)	\$ (213,996)	\$ (608,070)	\$ (394,074)	184.2%	\$ (190,035)	\$ 418,035	-68.7%
FTEs	246.44	257.56	11.12	4.5%	265.08	7.52	2.9%

The current projection for 2025 estimates a budget increase of \$12.2M (11.0%) and assessment increase of \$10.8M (11.1%) over 2024. This includes the following key assumptions in support of the strategic areas of focus, which are consistent with the 2025 projection included in 2023 BP&B:

- FTE increase of 11.1
- Weighted average salary increase of 5.5%
- Continued technology investments
- Reserve release of \$500k from the Operating Contingency Reserve to fund potential one-time out-of-pocket costs related to Atlanta office relocation in 2025

Borrowing in 2025 is currently estimated to be \$5.9M. The 2025 borrowing continues to assume a new audio/visual equipment lease for an Atlanta office relocation of \$2.0M, and reflects an increase of \$1.4M for lease financing of IT datacenter equipment replacements previously not projected to be lease financed to help smooth assessments. Additionally, \$1.0M of budgeted 2023 borrowing is being deferred and reallocated to 2025.

As with the 2024 budget, the 2025 projection assumes continued inflationary and market pressures on salaries, increased medical insurance estimates, and cost and demand increases for meetings and travel. Despite these assumptions, the 2025 budget increase over 2024 is slightly below the prior year projected increase included in the 2023 BP&B due to both an increased 2024 budget (higher starting point) and the additional lease financing assumption noted above (reallocated from 2023). The 2025 assessment increase matches the prior year projected increase. The 2025 total assessment and budget are consistent with the amounts projected in the initial 2023–2025 strategic plan (2025 projected assessments in the 2024 BP&B are \$200k lower the original estimate, and the budget is \$200k higher).

The projection for 2026 is preliminary and will be further refined during the next budget cycle. Currently, the 2026 increase over 2025 is estimated to be approximately \$8.8M for both the budget and assessment (an 8.1% and 7.2% increase, respectively), which reflects a reduced level of increase relative to the increases for 2023–2025. The increase for 2026 is driven primarily by personnel (including the addition of 7.5 FTEs) and continued technology investments for infrastructure, ERO applications, and security. The 2026 projection for borrowing is currently \$6.8M, which includes loan borrowing for capital software projects and lease financing for a technology equipment refresh for the ERO SEL.

Section C – Non-Statutory Activity

NERC has no non-statutory activities.

Section D – Consolidated Statement of Activities by Program

Statement of Activities, Fixed Asset Additions, Financing Activity, and Change in Working Capital by Program 2024 Budget	Statutory Activities														
	Statutory Total	Reliability Standards and Power Risk Issue Strategic Management	Compliance Assurance, Registration, and Certification	Event Analysis	Compliance Enforcement	Personnel Certification and Credential Maintenance	Training and Education	Reliability Assessments and Performance Analysis	Situation Awareness	E-ISAC (Including CRSP)	General and Administrative (Includes Executive and External Affairs)	Legal and Regulatory	Information Technology	Human Resources and Administration	Accounting and Finance
Funding															
ERO Funding															
NERC Assessments	\$ 96,991,218	\$ 11,461,324	\$ 14,525,323	\$ 4,787,700	\$ 8,496,550	\$ -	\$ 1,162,137	\$ 19,653,791	\$ 6,591,744	\$ 30,312,649	\$ -	\$ -	\$ -	\$ -	\$ -
Penalties Released	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total NERC Funding	\$ 96,991,218	\$ 11,461,324	\$ 14,525,323	\$ 4,787,700	\$ 8,496,550	\$ -	\$ 1,162,137	\$ 19,653,791	\$ 6,591,744	\$ 30,312,649	\$ -	\$ -	\$ -	\$ -	\$ -
Third-Party Funding	\$ 10,102,701	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,102,701	\$ -	\$ -	\$ -	\$ -	\$ -
Testing, Renewal, & Continuing Ed Fees	1,796,086	-	-	-	-	1,796,086	-	-	-	-	-	-	-	-	-
Services & Software	60,000	-	-	-	-	-	-	60,000	-	-	-	-	-	-	-
Miscellaneous	400,000	-	-	-	-	-	-	-	-	400,000	-	-	-	-	-
Interest & Investment Income	1,080,000	128,364	133,290	46,941	81,133	40,000	11,590	188,925	52,737	397,019	-	-	-	-	-
Total Funding (A)	\$ 110,430,005	\$ 11,589,688	\$ 14,658,614	\$ 4,834,641	\$ 8,577,683	\$ 1,836,086	\$ 1,173,727	\$ 19,902,716	\$ 6,644,481	\$ 41,212,368	\$ -	\$ -	\$ -	\$ -	\$ -
Expenses															
Personnel Expenses															
Salaries	\$ 49,027,290	\$ 3,431,515	\$ 4,247,782	\$ 1,626,448	\$ 2,164,379	\$ 379,729	\$ 260,530	\$ 5,854,521	\$ 1,575,816	\$ 9,917,575	\$ 4,975,410	\$ 3,674,514	\$ 7,029,481	\$ 2,294,569	\$ 1,595,021
Payroll Taxes	2,655,107	203,995	232,814	86,462	132,901	26,046	19,285	332,849	90,980	544,396	225,148	182,200	382,517	102,680	92,835
Benefits	7,579,139	571,606	754,109	242,331	242,638	49,902	53,109	951,119	330,748	1,535,836	602,924	540,536	1,120,743	352,736	230,803
Retirement Costs	5,128,217	372,496	465,702	180,085	237,218	41,985	29,254	640,719	173,771	1,066,986	413,024	388,289	760,810	186,430	171,449
Total Personnel Expenses	\$ 64,389,753	\$ 4,579,612	\$ 5,700,407	\$ 2,135,325	\$ 2,777,136	\$ 497,662	\$ 362,178	\$ 7,779,208	\$ 2,171,315	\$ 13,064,793	\$ 6,216,506	\$ 4,785,538	\$ 9,293,552	\$ 2,936,414	\$ 2,090,108
Meeting and Travel Expenses															
Meetings & Conference Calls	\$ 1,355,300	\$ 85,000	\$ 127,000	\$ 26,500	\$ 7,150	\$ 72,000	\$ 2,000	\$ 237,250	\$ 71,000	\$ 208,000	\$ 358,000	\$ 10,000	\$ 138,900	\$ 10,000	\$ 2,500
Travel	2,051,500	155,000	270,000	91,000	74,000	23,500	3,500	318,600	18,700	275,000	475,000	125,000	106,200	60,000	56,000
Total Meeting & Travel Expenses	\$ 3,406,800	\$ 240,000	\$ 397,000	\$ 117,500	\$ 81,150	\$ 95,500	\$ 5,500	\$ 555,850	\$ 89,700	\$ 483,000	\$ 833,000	\$ 135,000	\$ 245,100	\$ 70,000	\$ 58,500
Operating Expenses, excluding Depreciation															
Contractors & Consultants	\$ 19,827,135	\$ 219,888	\$ 780,321	\$ 165,000	\$ 696,933	\$ 382,260	\$ 90,000	\$ 991,400	\$ 83,000	\$ 10,066,237	\$ 200,000	\$ 255,000	\$ 4,597,096	\$ 835,000	\$ 465,000
Office Rent	3,089,858	-	-	-	-	-	-	-	-	-	3,089,858	-	-	-	-
Office Costs	13,764,858	77,121	703,394	16,000	621,394	177,458	131,600	844,006	1,546,713	1,939,166	501,027	252,355	6,098,992	439,032	416,600
Professional Services	3,517,866	-	-	-	-	-	-	-	-	425,000	2,333,216	610,000	-	4,650	145,000
Miscellaneous	149,950	2,700	3,050	1,300	1,900	300	700	5,000	1,400	10,250	53,550	1,700	4,400	62,200	1,500
Total Operating Expenses, excluding Depreciation	\$ 40,349,667	\$ 299,709	\$ 1,486,765	\$ 182,300	\$ 1,320,227	\$ 560,018	\$ 222,300	\$ 1,840,406	\$ 1,631,113	\$ 12,440,653	\$ 6,177,651	\$ 1,119,055	\$ 10,700,488	\$ 1,340,882	\$ 1,028,100
Total Direct Expenses	\$ 108,146,220	\$ 5,119,321	\$ 7,584,172	\$ 2,435,125	\$ 4,178,513	\$ 1,153,180	\$ 589,978	\$ 10,175,464	\$ 3,892,128	\$ 25,988,446	\$ 13,227,157	\$ 6,039,593	\$ 20,239,140	\$ 4,347,296	\$ 3,176,708
Indirect Expenses	\$ -	\$ 6,337,578	\$ 6,580,781	\$ 2,317,579	\$ 4,005,693	\$ 872,669	\$ 572,242	\$ 9,327,541	\$ 2,603,700	\$ 14,749,533	\$ (13,367,157)	\$ (6,039,593)	\$ (20,429,746)	\$ (4,350,704)	\$ (3,180,116)
Other Non-Operating Expenses	\$ 468,040	\$ 1,363	\$ 32,804	\$ 3,240	\$ 27,224	\$ 1,704	\$ -	\$ 33,650	\$ 21,842	\$ 8,791	\$ 140,000	\$ -	\$ 190,606	\$ 3,408	\$ 3,408
Total Expenses (B)	\$ 108,614,261	\$ 11,458,262	\$ 14,197,756	\$ 4,755,945	\$ 8,211,429	\$ 2,027,553	\$ 1,162,220	\$ 19,536,655	\$ 6,517,670	\$ 40,746,769	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Net Assets (=A-B)	\$ 1,815,744	\$ 131,427	\$ 460,857	\$ 78,696	\$ 366,254	\$ (191,467)	\$ 11,507	\$ 366,061	\$ 126,811	\$ 465,599	\$ -	\$ -	\$ -	\$ -	\$ -
Fixed Asset Additions, excluding Right of Use Assets (C)	\$ 4,624,000	\$ 271,807	\$ 1,062,238	\$ 316,897	\$ 686,797	\$ 37,427	\$ 24,542	\$ 1,201,042	\$ 217,668	\$ 805,581	\$ -	\$ -	\$ -	\$ -	\$ -
Financing Activity															
Loan or Financing Lease - Borrowing (-)	\$ (4,212,498)	\$ (261,515)	\$ (998,905)	\$ (291,375)	\$ (654,156)	\$ (36,010)	\$ (23,613)	\$ (1,105,763)	\$ (202,835)	\$ (638,326)	\$ -	\$ -	\$ -	\$ -	\$ -
Loan or Financing Lease - Principal Payments (+)	1,618,238	121,134	397,524	53,174	333,613	21,111	10,578	270,782	111,978	298,343	-	-	-	-	-
Net Financing Activity (D)	\$ (2,594,260)	\$ (140,380.88)	\$ (601,381)	\$ (238,201)	\$ (320,543)	\$ (14,899)	\$ (13,035)	\$ (834,981)	\$ (90,857)	\$ (339,982)	\$ -	\$ -	\$ -	\$ -	\$ -
Total Budget (=B+C)	\$ 110,644,001	\$ 11,589,688	\$ 14,658,614	\$ 4,834,641	\$ 8,577,683	\$ 2,050,082	\$ 1,173,727	\$ 19,902,716	\$ 6,644,481	\$ 41,212,368	\$ -	\$ -	\$ -	\$ -	\$ -
Change in Working Capital (=A-B-C-D)	\$ (213,996)	\$ -	\$ -	\$ -	\$ -	\$ (213,996)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
FTEs	246.44	20.82	21.62	7.61	13.16	2.87	1.88	30.64	8.55	48.46	19.90	15.98	35.20	10.34	9.40

Exhibit A – Application of NERC Section 215 Criteria

**DISCUSSION OF HOW THE NERC MAJOR ACTIVITIES
IN THE 2024 BUSINESS PLAN AND BUDGET
MEET THE NERC WRITTEN CRITERIA FOR DETERMINING WHETHER A
RELIABILITY ACTIVITY IS ELIGIBLE TO BE FUNDED UNDER
FEDERAL POWER ACT SECTION 215**

This Exhibit will be provided in the final proposed 2024 Business Plan and Budget.

Exhibit B – Capital Financing

The company maintains a capital financing program (line of credit) as a funding source for major software application development projects and hardware equipment. NERC financed \$2.0M for ERO Secure Evidence Locker (SEL) project costs, borrowing \$1.3M in late 2020 and the remaining \$700k in 2021, with an interest rate of 2.5% and 3.2%, respectively. Borrowings under the credit facility for the ERO SEL are amortized over a five-year period and can be prepaid without penalty.

As discussed in the *Introduction and Executive Summary*, due to increased spending on capital software projects related to the 2023–2025 Technology Strategy, a portion of these projects is proposed to be financed with NERC’s capital borrowing facility using a five-year loan amortization. NERC has assumed loan borrowings of \$2.4M in 2024, \$2.1M in 2025, and \$4.5M in 2026 with an interest rate of 6.5%. Loans in each period are assumed to be closed late in each calendar year, with debt service beginning January 1 of the following year.

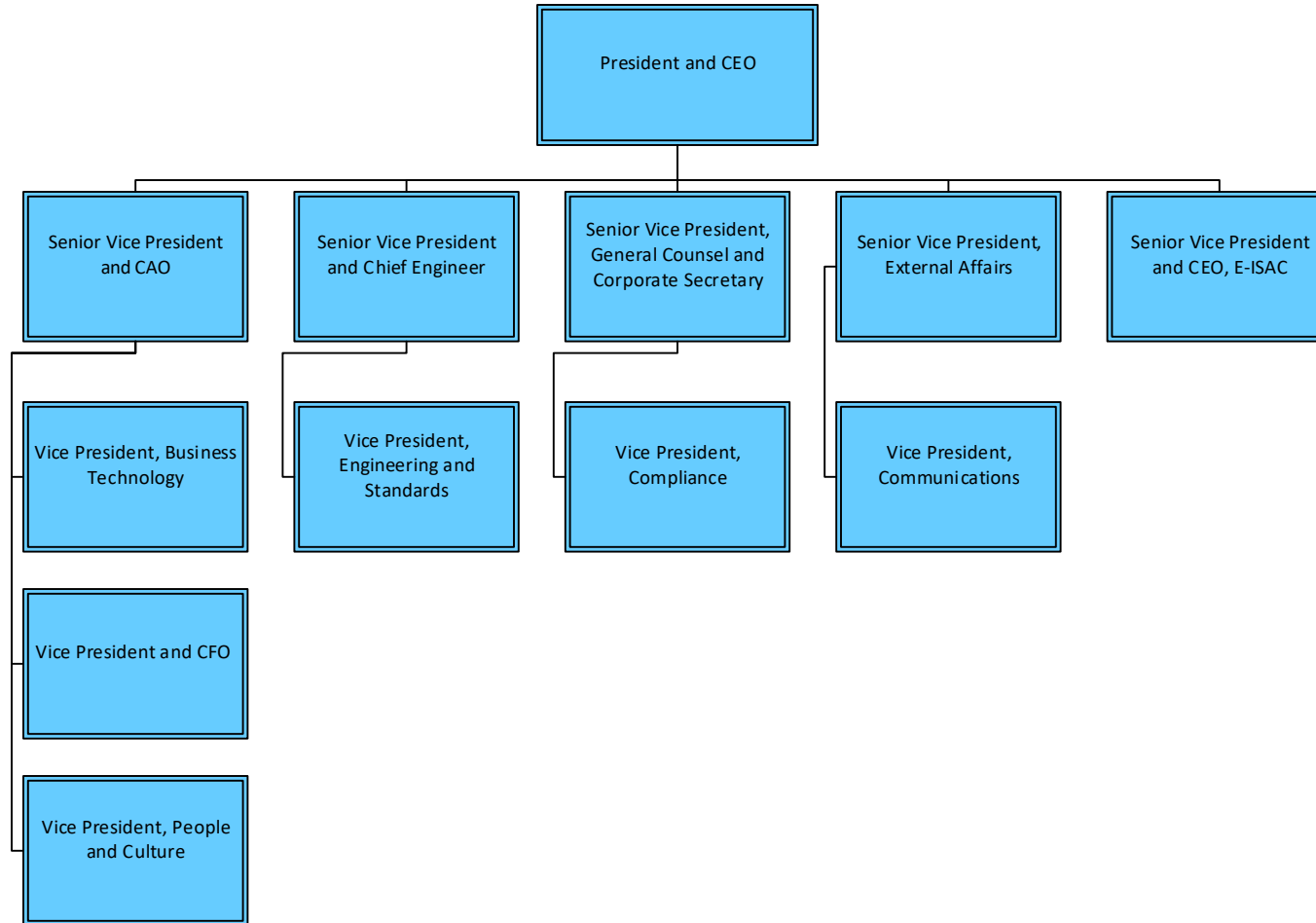
The tables below show projected year-end outstanding debt and the future annual payments for debt service.

	Year-End Outstanding Loan Debt Balance				
	Prior Years Actual	2023 Projected	2024 Budget	2025 Projected	2026 Projected
Prior Years	\$ 1,383,224	\$ 969,300	\$ 543,643	\$ 105,847	\$ -
2023 Projection	-	3,000,000	2,475,164	1,915,180	1,317,694
2024 Budgeted	-	-	2,442,500	2,015,193	1,559,270
2025 Projected	-	-	-	2,100,000	1,732,612
2026 Projected	-	-	-	-	4,500,000
Total Outstanding Balance	\$ 1,383,224	\$ 3,969,300	\$ 5,461,307	\$ 6,136,220	\$ 9,109,576

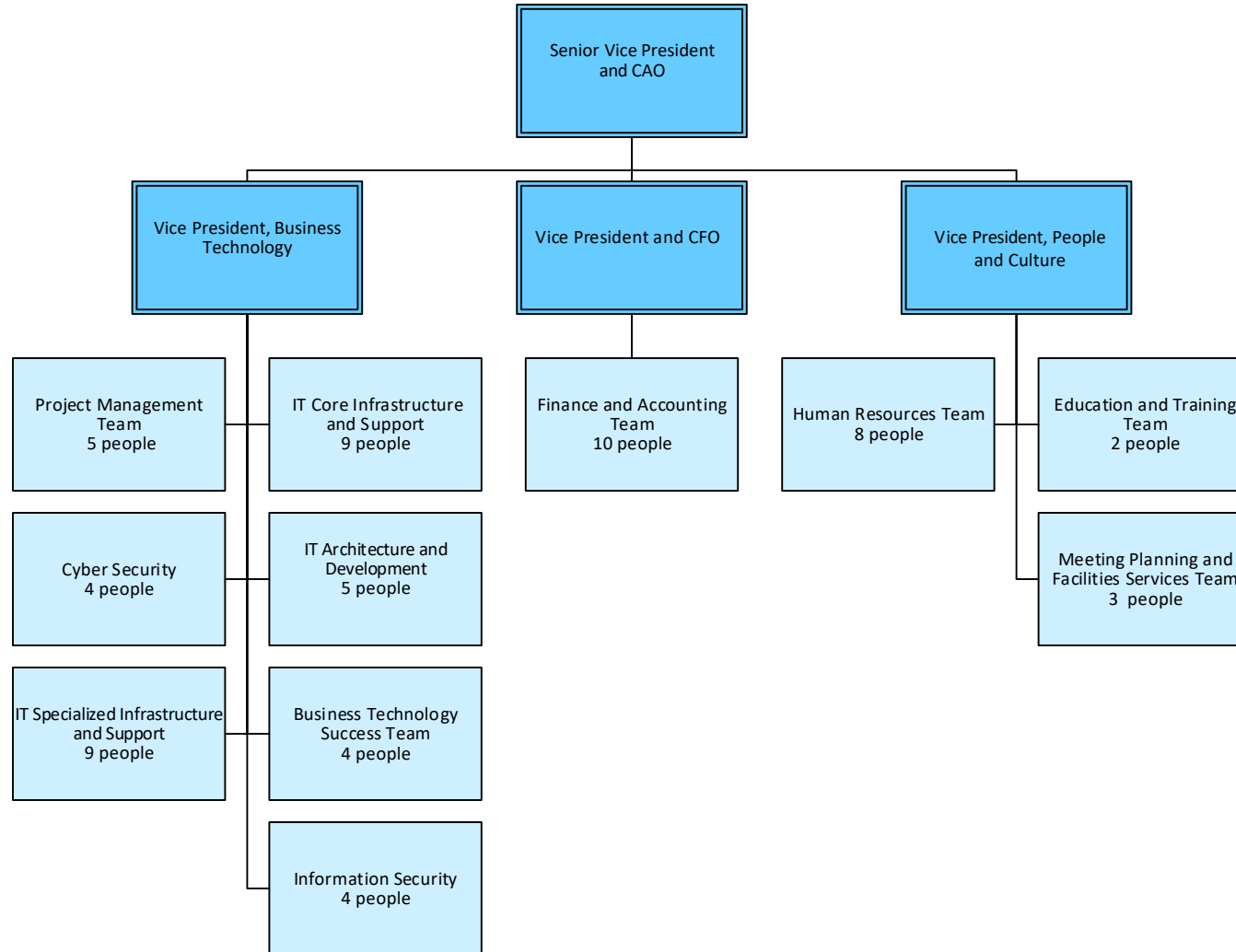
	Future Annual Payments for Loan Debt Service				
		2023 Projected	2024 Budget	2025 Projected	2026 Projected
Prior Years - Principal		\$ 413,924	\$ 425,657	\$ 437,796	\$ 105,847
2023 Projection		-	524,836	559,984	597,486
2024 Budgeted		-	-	427,307	455,923
2025 Projected		-	-	-	367,388
2026 Projected		-	-	-	-
Interest Expense		21,506	188,896	290,971	350,531
Total Principal and Interest Costs		\$ 435,430	\$ 1,139,389	\$ 1,716,058	\$ 1,877,175

NERC Staff Organization Chart – Budget 2024

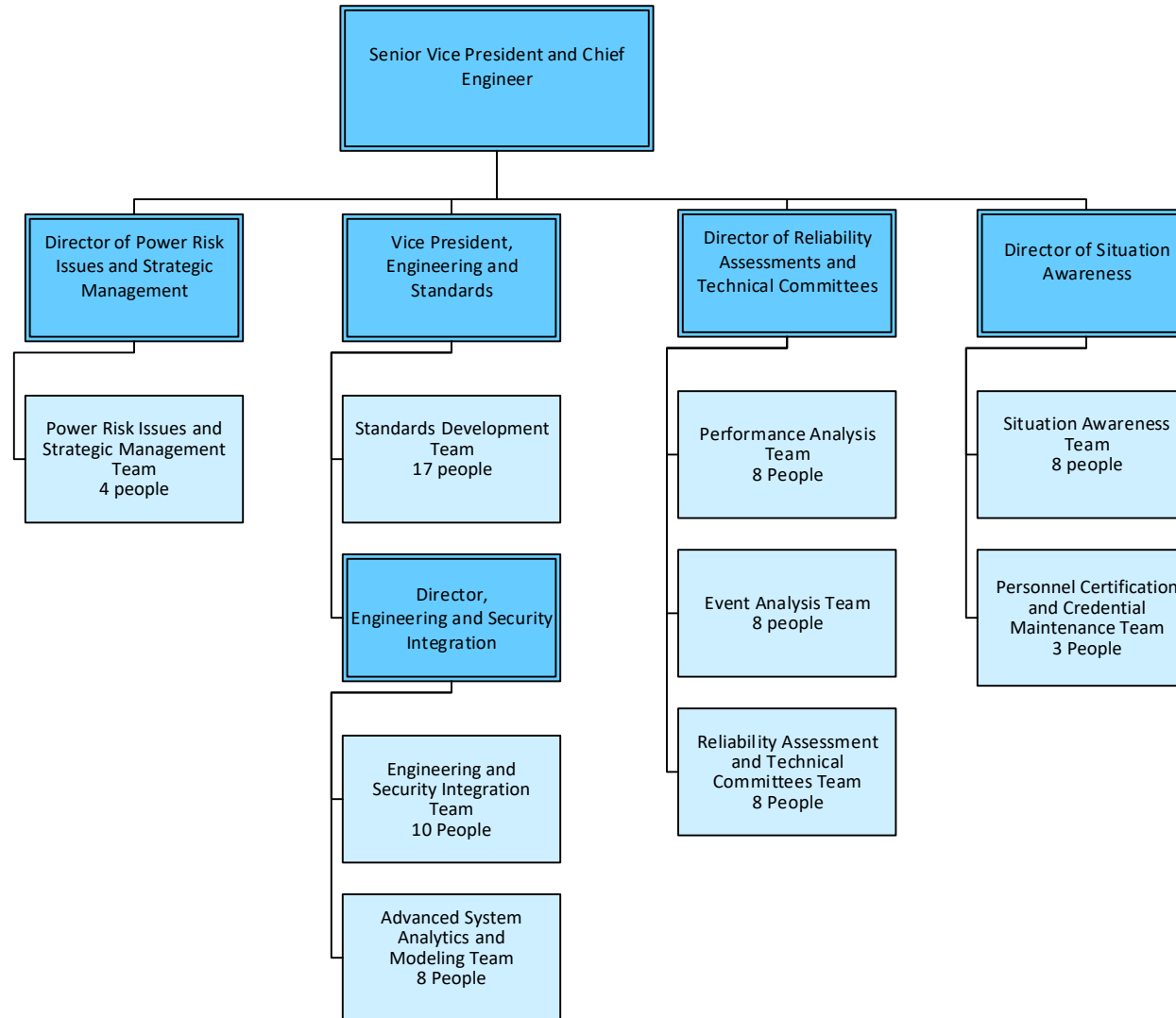
Executive Team



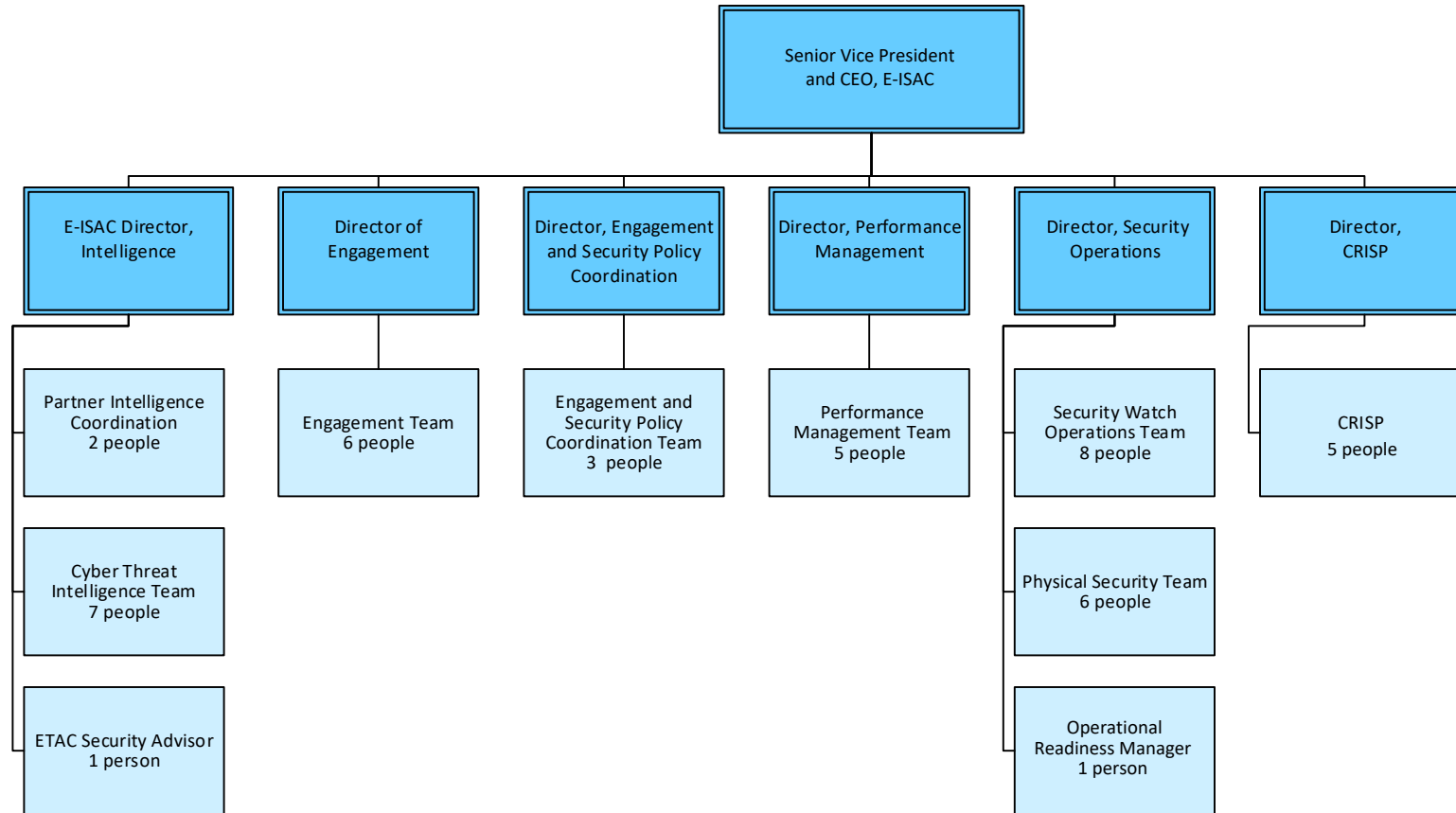
Business Technology, Finance & Accounting, and HR & Administration



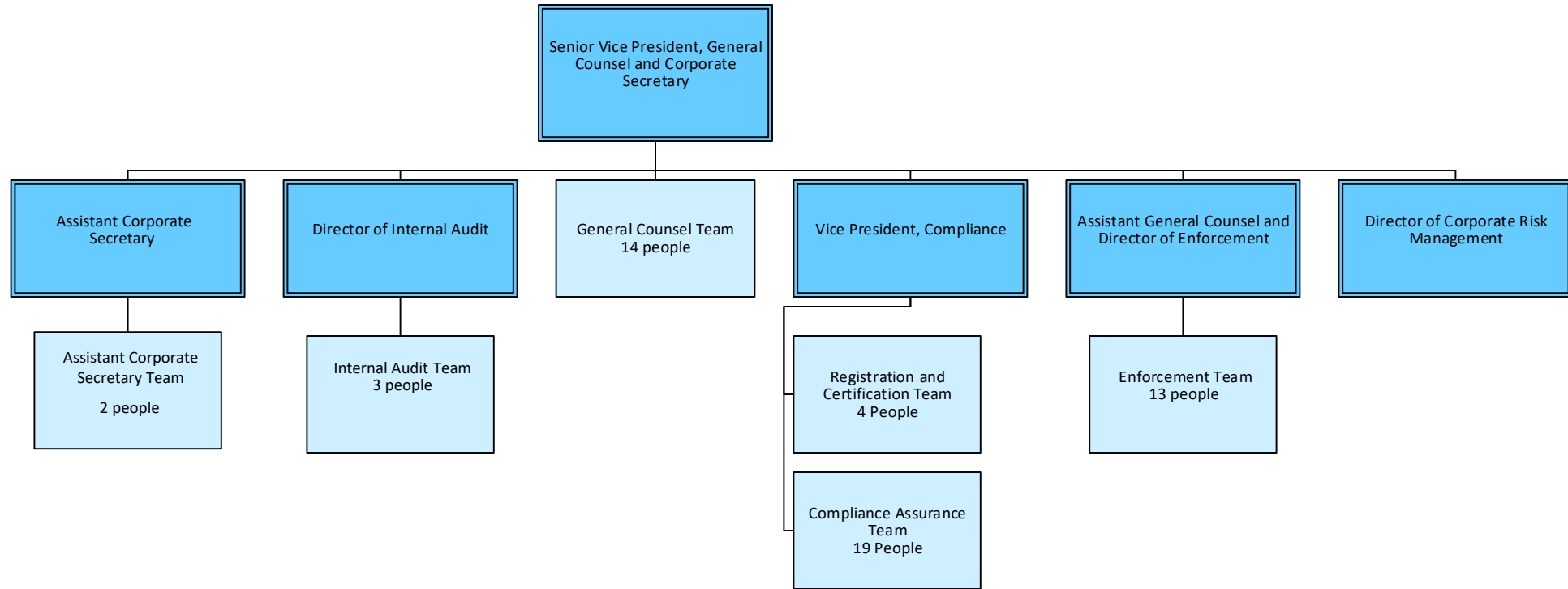
Reliability Standards & PRISM, RAPA, Situation Awareness, and Personnel Certification and Credential Maintenance



Electricity Information Sharing and Analysis Center



Legal and Regulatory, Internal Audit, Corporate Risk Management, and Compliance Enforcement



External Affairs

