2021 Business Plan and Budget - Draft 1 Overview

Andy Sharp, Vice President, Interim Chief Financial Officer
Finance and Audit Committee Meeting
May 13, 2020
• Expand risk-based focus in Standards, Compliance Monitoring, and Enforcement
• Assess and catalyze steps to mitigate known and emerging risks to reliability and security
• Build a strong, E-ISAC-based security capability
• Strengthen engagement across the reliability and security ecosystem in North America
• Capture effectiveness, efficiency, and continuous improvement opportunities
• Achieve minimal assessment increase in response to pandemic impacts despite significant budget pressures from
  ▪ ERO Security Evidence Locker (SEL)
  ▪ Align delay
  ▪ IT security resources
  ▪ Medical premiums
  ▪ Investment in data management tools to support advanced analytics
• **Budget $81.1M ($1.6M or 1.9% decrease over 2020)**
  
  - Excludes Align tool delay costs funded by reserves ($1.8M)

*Restated according to new budget reporting format, which includes financing activity*
2021 Budget Major Programs

• ERO SEL
  ▪ Costs absorbed into 2021 budget
    o Debt service ($430k)
    o Software support, maintenance, and certification costs ($570k)

• Align delay costs
  ▪ $1.8M funded by Operating Contingency Reserves (OCR)
  ▪ No impact to 2021 assessments

• E-ISAC & CRISP
  ▪ Direct costs below prior projection
  ▪ CRISP decrease primarily due to PNNL costs (no assessment impact)
2021 Budget NERC and E-ISAC Breakdown

NERC* (Excluding E-ISAC & CRISP)
+0.2%

E-ISAC & CRISP
-5.2%

*Excludes 2021 Align delay costs
• Personnel
  ▪ No increase in FTEs versus 2020
    ○ Adding FTEs for cyber security and SEL, offset by lower FTEs in other areas
  ▪ Placeholder salary increase of 3.0%
  ▪ Medical insurance premium increase

• Meetings and travel
  ▪ Assuming fewer in-person meetings
  ▪ Travel expense reduced versus 2020 budget

• Other
  ▪ Reductions in contracts and consultants and professional services
  ▪ Deferred system enhancements to future years
Proposed 2021 Assessments

• Assessments $72.0M (flat versus 2020)
  ▪ Lower interest income and third-party CRISP revenue
  ▪ Funding 2021 Align delay costs from OCR
  ▪ Assumes no Assessment Stabilization Reserve usage in 2021
• Total ERO Enterprise Budget $209.5M ($3.4M or 1.7% increase over 2020)

*Excludes 2021 Align delay costs
• Total ERO Enterprise Assessment $189.5M ($1.8M or 0.9% increase over 2020)

![Bar Chart]

*Pending Board Approval
ERO Enterprise Weighted Average Budget and Assessment Increase
• May 15 (approx) – Post first drafts of NERC and RE 2021 BP&Bs
• May 20 – NERC and RE 2021 BP&B briefing with FERC
• June 4 – FAC webinar to review 2021 BP&B first drafts
• June 26 – Comments due on first draft of NERC 2021 BP&B
• June 30 – MRC BP&B Input Group call
• July 9 – Quarterly Trades and Forums meeting, closed FAC call
• July 14 – Post final drafts of NERC and RE 2021 BP&Bs
• July 23 – FAC webinar to review final drafts
• July 28 – Comments due on final draft of NERC 2021 BP&B
• July 31 – MRC BP&B Input Group call
• August 19 – FAC meeting to recommend approval of final 2021 BP&Bs
• August 20 – Board meeting to approve final 2021 BP&Bs
• August 25 – Submit 2021 BP&Bs to FERC for approval, with subsequent filings with Canadian authorities
Questions and Answers