

June 30, 2017

Mr. Scott Jones
Vice President, Corporate Treasurer, and Director of Finance
and Administration
North American Electric Reliability Corporation
3353 Peachtree Road NE
Suite 600, North Tower
Atlanta, GA 30326

Independent Electricity System Operator

1600-120 Adelaide Street West
Toronto, ON M5H 1T1
t 416.967.7474

www.ieso.ca

Dear Mr. Jones:

Re: NERC 2018 Business Plan and Budget, Draft 1

The IESO appreciates the opportunity to submit comments on Draft 1 of the North American Electric Reliability Corporation's (NERC) 2018 Business Plan and Budget (BPB).

In this draft, the 2018 BPB includes a proposed annual budget increase of 2.5%, or 5.1% with the inclusion of proposed E-ISAC-related costs, and forecasted increases for 2019 and 2020. These costs continue to trend along a concerning trajectory of annual increases beyond inflation.

The IESO shares the concerns of the Canadian Electricity Association regarding these cost increases. The IESO reaffirms the CEA's perspective that the "annual budget increases seem inconsistent with the fiscal and regulatory realities faced by electric utilities. Ratepayers, regulators, and governmental authorities continue to expect rigorous fiscal discipline by the utility industry."

As with many jurisdictions, rising electricity costs have been a significant public concern in Ontario. In early 2017, the provincial government responded to these concerns by introducing its Fair Hydro Plan, which included a commitment that certain electricity customers' bills would not increase beyond the rate of inflation for four years. Utilities must help to enact the Ontario government's commitments while both fulfilling their objectives and adapting to complex changes to the system and sector.

Paying regulatory fees higher than the rate of inflation forces the IESO to make budget cuts that may negatively affect our ability to execute on our strategic priorities, including those that are designed to ensure the secure and reliable operation of the electricity grid now and in the future. Further, the IESO's own budget has been declining in real dollars for the past several years.

The IESO encourages NERC to seek further efficiencies to keep budget increases more in line with the realities of the utility industry while continuing to pursue its strategic priorities.

Once again, the IESO appreciates the opportunity to provide feedback on NERC's draft 2018 BPB.

Yours truly,



Mike Lyle
Vice President of Planning, Legal, Indigenous Relations and Regulatory Affairs

cc: Peter Gregg, President and CEO of the IESO