

Date: July 15, 2019

RE: Second Draft of NERC 2020 Business Plan and Budget
Posted for Stakeholder Review and Comment

On May 17, 2019, NERC posted the first drafts of the 2020 Business Plan and Budgets for NERC, the Regional Entities, and the Western Interconnection Regional Advisory Body (WIRAB). The NERC Board of Trustees Finance and Audit Committee (FAC) held a webinar on May 30 to review these budgets, and written comments on NERC's budget were requested by June 28, 2019. NERC received comments from six entities, which are posted on NERC's website. The comments were overall supportive of the budget and requested certain clarifications. These clarifications have been provided in a management response letter, which is also posted on NERC's website.

After careful review of the comments and discussions with the FAC and trade organization representatives, the second draft of NERC's 2020 Business Plan and Budget continues to focus on the following areas:

- **Continued investment in the Electricity Information Sharing and Analysis Center (E-ISAC).** In support of the third year of the E-ISAC long-term strategy, the 2020 budget continues the growth strategy for increased capability in watch operations, analytics, and engagement.
- **Continued focus on technology and tools to promote effectiveness and efficiency.** The 2020 budget includes the final year of development of the compliance monitoring and enforcement application (Align), as well as maintenance and enhancements to grid performance data management tools.
- **Stabilizing costs for non-ISAC business.** We are working hard to manage and reallocate resources across the organization to ensure the rest of NERC's operations (outside the E-ISAC) remain stable. For 2020, we are proposing a very small decrease in the non-ISAC program areas.

In addition to minor adjustments between departments and the inclusion of 2021 and 2022 budget projections, the primary changes from the first draft of NERC's 2020 Business Plan and Budget to the second are as follows:

- Addition of two FTEs due to contractor conversions (increase in personnel and corresponding reduction in contracts and consultants), with slight savings; and
- Addition of \$500k for leasehold improvements for Atlanta office modifications to accommodate more outside meetings and create future savings in meeting catering and travel costs.

The addition of the leasehold improvement item results in a 4.5% budget increase over 2019, compared to 3.8% in the first draft. **However, this budget item will be funded through existing reserves, so the 2020 NERC assessment provided in the first draft will not increase.** Current estimates of assessments for each country are included in the second draft, and are impacted by certain credits related to compliance and enforcement activities in Canada.

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NERC has posted the second draft of its 2020 Business Plan and Budget along with the final Business Plans and Budgets for the six Regional Entities and WIRAB, along with an overview presentation for each entity. Please join us for a webinar hosted by the FAC on Thursday, July 18, 2019, from 1:00–3:00 p.m. Eastern where we will provide an overview of these business plans and budgets.

As always, we welcome and appreciate your feedback. Written comments are requested by July 31, 2019, and should be directed to the attention of Erika Chanzas at erika.chanzas@nerc.net.

Sincerely,



Andy Sharp

Interim Chief Financial Officer and Controller