

June 28, 2019



Ms. Erika Chanzas
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Dear Ms. Chanzas:

Re: NERC 2020 Business Plan and Budget, Draft 1

The IESO appreciates the opportunity to submit comments on the first draft of North American Reliability Corporation's (NERC) 2020 Business Plan and Budget.

In this draft, the 2020 Business Plan and Budget includes a proposed annual increase of 3.8%. This continues a trend of annual budget increases beyond inflation, a level which the IESO has committed itself to maintaining in its own 2020 budget even as we make the significant investments required to deliver on priority initiatives.

Rising electricity costs have been a significant public concern in Ontario and the Ontario government has pledged to reduce costs to ratepayers by 12%. Utilities and electricity sector entities accountable to the government, including the IESO¹, are expected to help achieve this commitment while fulfilling their objectives and adapting to complex changes to the system and sector. The IESO's commitment to sound financial management means we have limited ability to pass through NERC costs to our ratepayers. A rise in regulatory fees beyond the rate of inflation forces the IESO to adjust our budget in areas that may negatively affect our ability to execute on our strategic priorities.

The IESO supports the comments expressed by the Canadian Electricity Association (CEA) regarding the draft 2020 budget, including the appreciation expressed for NERC's efforts to reduce budgets in non E-ISAC areas through ongoing cost-effectiveness efforts and efficiency increases.

The IESO also supports the CEA's comments that the E-ISAC budget increase is substantial and that there should be corresponding value for Canadian stakeholders. The overall NERC budget for 2020 shows an increase of 3.8% and the E-ISAC portion of the budget is set to increase by 13% from 2019. At the proposed budget level, the E-ISAC will account for approximately 27% of NERC's total budget.

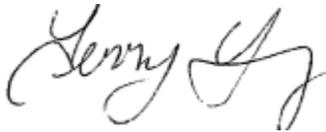
¹ The IESO has statutory obligations to the Minister of Energy, Northern Development and Mines who has the authority to approve the IESO's business plan and budget. As a regulated entity, the IESO must demonstrate that its costs, including its contribution to the reliability regulating entities, are prudently incurred and benefit the ratepayers of Ontario.

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The IESO understands that the increase is proposed to support the ongoing implementation of the E-ISAC's Long-Term Strategic Plan. To ensure that Canadian entities receive value from the implementation of the strategic plan, the IESO encourages NERC to continue its efforts to engage with Canadian stakeholders to strengthen collaboration and expand membership growth. The IESO reaffirms the CEA's comments that "the E-ISAC should seek opportunities to leverage capabilities already available from other agencies or partners (such as the Canadian Cyber Centre) to avoid unnecessarily building out its own capabilities. This would serve to reduce needless or burdensome redundancy, and the need for significant budget increases would be reduced."

The IESO encourages NERC as it begins developing preliminary operating and fixed asset projections for 2021 and 2022 that it seek budget stabilization as a priority, especially as the E-ISAC Long-Term Strategic Plan becomes fully implemented.

Yours truly,

A handwritten signature in cursive script, appearing to read "Terry Young".

Terry Young
Vice President of Policy, Engagement and Innovation

cc: Peter Gregg, President and CEO of the IESO