

# NERC

NORTH AMERICAN ELECTRIC  
RELIABILITY CORPORATION

# NERC 2020 Business Plan and Budget – Final Draft

Andy Sharp, Interim CFO and Controller  
Finance and Audit Committee Meeting  
August 14, 2019

RELIABILITY | RESILIENCE | SECURITY



- Expand risk-based focus in all Standards, Compliance Monitoring, and Enforcement programs
- Assess and catalyze steps to mitigate known and emerging risks to reliability
- Build a strong, E-ISAC-based security capability
- Strengthen engagement and collaboration across North America and the reliability ecosystem
- Capture effectiveness, efficiency, and continuous improvement opportunities

*\*Proposed revised focus areas, which will be discussed during the August 14 MRC meeting*

- **2018** – Added eight FTEs and increased investments in technology and portal enhancements
- **2019** – Adding nine FTEs for analytics and watch operations and two for corporate support; enhanced technology; GridEx “on-year”
- **2020** – Additional seven FTEs for analytics, watch operations, and engagement and three for corporate support; continued investments in technology; GridEx “off-year”
- **2021 and 2022** – Planning to add a total of 14 FTEs in E-ISAC and two for corporate support; continued investments in technology; continued GridEx support

- **Third-year of E-ISAC Long-Term Strategic Plan**
  - Addition of seven FTEs in E-ISAC and three corporate support FTEs
  - New and enhanced technology for security data management and stakeholder engagement
  - Proposed budget on track with prior projections
- **Personnel**
  - Market adjustments for salary and benefit costs
  - Addition of two corporate FTEs (contractor conversions for critical roles)
  - Reduction of three open positions in other program areas
- **Technology and tools**
  - Final year of CMEP Technology Project (Align) development
  - Enhancements and maintenance of data management tools

- Posted for stakeholder comment May 17–June 28
  - Budget increase of 3.8% over 2019
  - Assessment increase of 4.5%
- Comments received from six entities:
  - Support for continued investment in E-ISAC and budget stabilization efforts in the rest of NERC operations
  - Concern with E-ISAC increase and duplication of effort in Canada
  - Clarity requested on salary and medical benefits increases
  - Expectation to see savings from effectiveness and efficiency efforts
- Management response letter to Draft 1 comments posted on NERC website on July 11

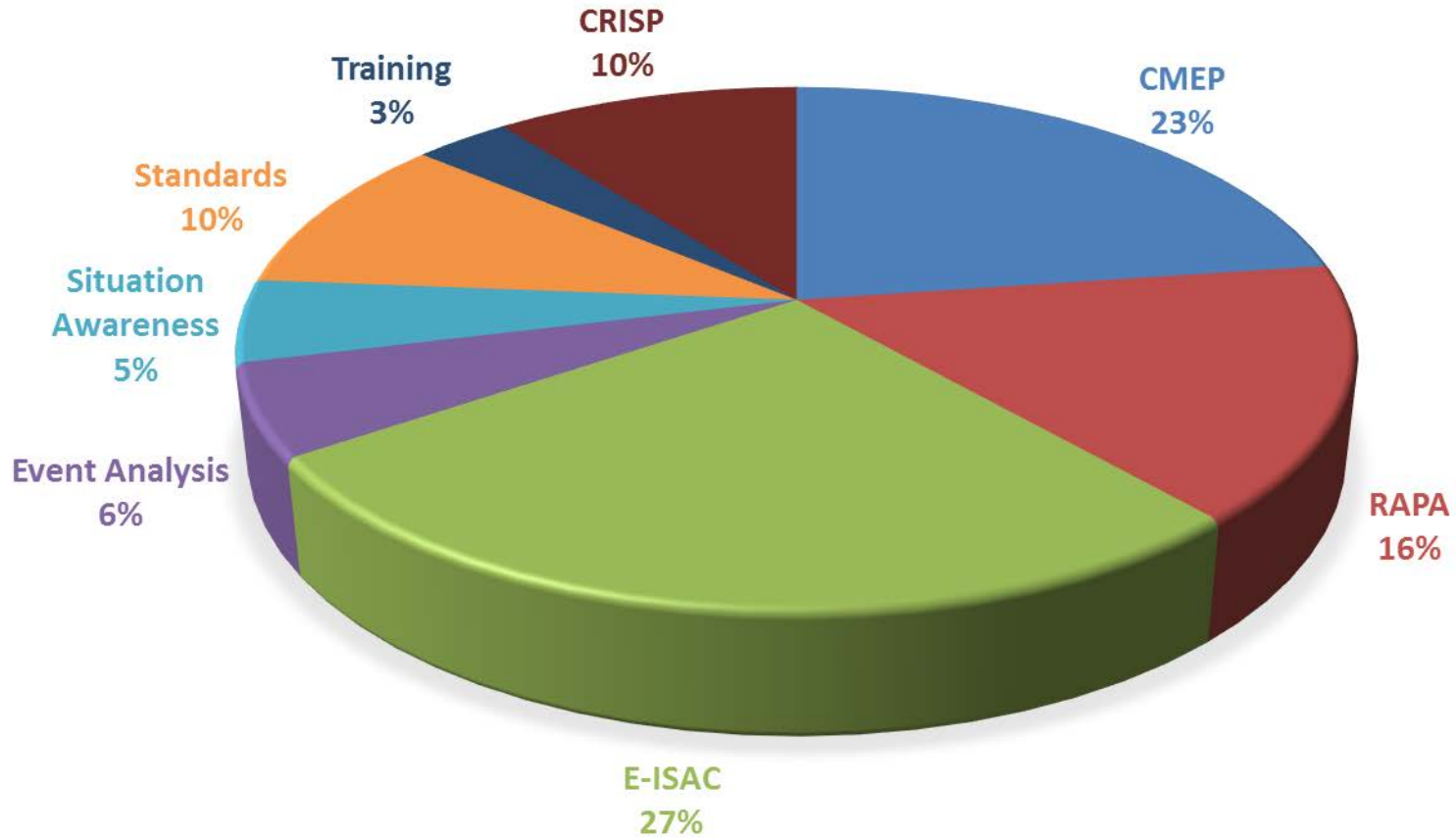
- Posted for stakeholder comment July 15–31
  - Budget increase of 4.5% (added \$500k for leasehold improvements)
  - Assessment increase remained at 4.5% (additional \$500k funded by reserves)
  - Added two FTEs (contractor conversions for critical roles)
- Comments received from two entities:
  - Support for overall budget, with understanding that E-ISAC increases will continue through 2022
  - Support from IESO regarding NERC and IESO pilot collaboration agreement for cyber security information sharing
- Management response letter to Draft 2 comments posted on NERC website on August 7

- **Budget \$83.4M, 4.5% increase over 2019**
- **Assessment \$72.0M, 4.5% increase**
  - Impacted by capital financing program, debt service, and other funding (e.g. CRISP revenues)
  - Release of \$650k of working capital
  - No use of Assessment Stabilization Reserve
- **Final draft posted on August 7**
  - No change to budget or assessments
  - Minor wording updates and clarifications

- United States – \$65.1M
  - Increase of \$2.7M (4.3%) over 2019
  - Cost per NEL: \$0.016 per MWh
- Canada – \$6.7M
  - Increase of \$450k (7.3%)
  - Includes compliance credits and true-ups
  - Cost per NEL: \$0.013 per MWh
- Mexico – \$225k
  - Increase of \$13k (6.0%)
  - Cost per NEL: \$0.016 per MWh



# 2020 Budget by Program Area



- **2021**

- Budget – 2.8% increase over 2020
- Assessment – 5.6% increase over 2020

- **2022**

- Budget – 4.0% increase over 2021
- Assessment – 5.9% increase over 2021

- E-ISAC budget increases represent the vast majority of projected increases in the total NERC budget
- Assessment increase does not yet include any proposed release from Assessment Stabilization Reserve



# Questions and Answers