

APPA, EEI, LPPC, and TAPS Comments 2023 NERC Business Plan Strategic Focus Areas June 24, 2022

The American Public Power Association, Edison Electric Institute, Large Public Power Council, and Transmission Access Policy Study Group (“Joint Trades”) appreciate the opportunity to provide the following input on the First Draft of NERC’s 2023 Business Plan and Budget (BPB).

Introduction:

- NERC projects a budget increase of nearly 40% when compounded year over year for the period 2023-2025. A budget increase of this magnitude – particularly in this economic environment – must be given careful review by stakeholders. Based on our review of the BPB, the Joint Trades believe a number of proposed expenses warrant additional justification. The Joint Trades also submit that NERC should consider mechanisms to track the effectiveness of certain proposed expenditures. In addition, taking full advantage of the ERO’s Framework to Address Known and Emerging Reliability and Security Risks (Risk Framework) to ensure that risks are resourced, prioritized and addressed appropriately is even more critical for managing increased NERC expenses. These and other comments are discussed further below.
- The Joint Trades appreciate NERC’s proactive outreach to our organizations and other stakeholders regarding the BPB. The Joint Trades’ respective utility members have obligations to their customers (and their regulators) to make sure they fully understand and analyze the cost drivers and rationales for the proposed budget increase. The Joint Trades’ efforts to review the proposed increases have been substantially aided by NERC’s outreach and engagement. The Joint Trades would like to collaborate with NERC and the Regional Entities on implementation as the projects move forward. Collaboration amongst all parties can better ensure acceptance and engagement as these projects advance.

General

- The Joint Trades support efforts to increase collaboration with stakeholders as well as other partners (EPRI, NATF, NAGF, etc.) to help guide strategic decision-making. Such collaboration would enhance process agility, efficiency, and effectiveness, and reduce duplication while potentially reducing the need for new FTEs.
- Most of the proposed budget increase is attributable to increased staffing, and a sizable portion of that staffing increase appears to be related to activities where cost-effective alternatives to new FTEs may be more appropriate, and therefore, further consideration of these expenses may be warranted. For example:

- In the “agility” focus area (BPB at p. 6), the listed activities appear to be primarily short-term efforts, including the evaluation of efficiencies in the “Internal Audit and Corporate Risk Management areas using currently licensed software, extending the reach of current platform investments” and “[e]xpansion of specialized infrastructure, including collaboration technologies (e.g., Microsoft Teams, WebEx, audio/visual (A/V) equipment)”. The listed activities may lend themselves to short term contractual work as opposed to adding an FTE.
- In the “Security” focus area (BPB at p. 6), the listed activities likewise appear to be short-term efforts, such as performing “[s]ecurity reviews of legacy applications, with decisions on retirement or replacement as applications age and more secure technologies evolve.” Again, the ERO should consider whether additional FTEs are needed to address these activities or whether it is more appropriate to use contractors and leverage industry expertise.
- There may be opportunities to reduce the need for new NERC FTEs by continuing to leverage industry subject matter expertise for addressing reliability and security. Stakeholder engagement is a valuable tool both for managing costs and getting buy-in from industry. Many stakeholders have experienced cyber experts that can be a valuable resource to assist in improving the security of NERC and its tools while also yielding cost savings.
- The Joint Trades believe additional transparency is needed regarding the amount of the budget within each NERC program office or department that is used to fund the E-ISAC. All expenses associated with the E-ISAC, including “indirect expenses” should be detailed in separate line items in the E-ISAC section of the budget. Transparency related to the E-ISAC should be enhanced to allow members and stakeholders to holistically understand these expenses and how the E-ISAC and program areas interact.
- A large part of the proposed NERC BPB is for technology. While, as noted above, the information NERC has provided to date has been very helpful, the Joint Trades believe that additional detail from NERC is necessary to explain how this new or expanded technology will make the core processes of the ERO more agile and efficient for all stakeholders, including registered entities, and how the technology will enhance reliability and security of the grid.
- Particularly in light of the magnitude of the proposed budget increase (and the further increases projected through 2025), it is important that NERC develop measures to demonstrate the effectiveness of the NERC BPB.
 - Such measures should include a transparent accountability framework (e.g., dashboard) with key performance indicators/metrics established up

front, based on the data and information that underlie the BPB assumptions about the tasks that need to be accomplished, and the number of FTEs and resources needed to accomplish these tasks.

- Measures should also include a post budget review to analyze the effectiveness of the expenditures in addressing the stated goals of enhancing ERO agility, and the reliability and security of the BES. These results should then be shared with industry.
- While the plan is three years, the post budget review should include quarterly and annual assessments, and allow for any needed adjustment during the 2023-2025 period.
- NERC potentially could gain efficiencies and reduce duplication by reevaluating the ERO Enterprise's Reliability Assessment, Event Analysis, and Situation Awareness processes. For example, NERC and the Regional Entities conduct similar assessments collecting and using the same or similar data, with similar outcomes. NERC and the Regional Entities should work together to create a single assessment that holistically addresses North America and the regions.
- The bedrock of NERC's mission is development of sound reliability standards, and the foundation of that process is the well-established and successful use of the American National Standards Institute process (ANSI). The ANSI certification for standards development must be maintained.

2023 - 2025 Key Budget Assumptions:

- As noted above, many registered entities and other stakeholders have experienced cyber experts that may be able to assist in improving the security of NERC and its tools. NERC should consider collaborating with industry, including using industry cyber experts, to develop tools and address the cyber security concerns underlying the proposed need for increased technology-related expenditures.
 - Industry cyber experts are a valuable resource that NERC could leverage to improve security. As a threshold matter, the Joint Trades note that the Security Integration and Technology Enablement Subcommittee, in conjunction with the Compliance and Certification Committee are existing industry stakeholder resources that NERC may be able to employ to address the cybersecurity concerns driving the proposed increased technology spend. The Joint Trades request that existing resources are utilized before creating new ones.
 - The development of Align also provides an example of the efficiency benefits of collaborating with industry experts. The Joint Trades respectfully submit that engaging industry cyber experts from the outset would have saved time and money to address issues that were otherwise

identified late in the process. Industry experts suggested a number of security enhancement to the Align tool, including the development of the Secure Evidence Locker, to protect certain sensitive information.

- NERC should leverage the Security Advisory Working Group at the outset of any new project or when upgrading existing IT systems, applications, etc. This will enhance security while potentially avoiding costly missteps, re-work, and project delays.
- NERC has consistently maintained that the information it collects is secure and that NERC cybersecurity is first rate. If there are new concerns that are driving the need for the large number of new IT FTEs, NERC should explain the identified issues that require this additional staff.

Section A – 2023 Business Plan and Budget Program Area and Department Detail

Reliability Standards and Power Risk Issue Strategic Management

2023 Technology Requirements

- The Fixed Assets Additions budget includes funds to enhance PRISM’s tool for tracking to ensure complete visibility to identified risks and related work plan efforts. Industry, including members of the RISC, the RSTC and the Standards Committee should be involved in a collaborative manner to discuss and define the inputs and outputs for this tool, as well as the analytics needed to mitigate the grid reliability and security risks.

Compliance Assurance and Organization Registration and Certification

Areas of Focus

- The 2023-2025 focus areas include the successful roll-out of Align and the ERO Secure Evidence Locker. These projects appear to be on track to be completed in 2022. Accordingly, NERC should identify the additional activities and corresponding costs connected with this particular focus area.
 - To the extent that any of the funds included for Align and the SEL in 2023-2025 will be used to make improvements to those tools to address the usability concerns of stakeholders, NERC should provide additional details regarding the planned improvements.

Compliance Enforcement

Areas of Focus

- Compliance Enforcement also cites the successful roll-out of Align and the ERO Secure Evidence Locker as a 2023-2025 focus area. Again, these projects appear to be on track to be completed in 2022, and, accordingly, NERC should clarify the additional activities and corresponding costs connected with this particular focus area.
- More timely and efficient non-compliance processing will improve agility and save money. Non-compliance processing is delayed by Regional Entities' back-logs. Back-logs of non-compliance that are several years old become more challenging to assess in the present due to staff turnover, different interpretations, and limited registered entity resources. Often these same entity resources are performing support tasks for new CMEP audits and RFIs (when potential non-compliance from the previous audit are still outstanding).

Electricity Information Sharing and Analysis Center

- Among the identified areas of focus for the ISAC is “[e]xpanding membership and strategic relationships, including further collaboration with the natural gas sector, enhanced membership engagement, and establishing a vendor affiliate program.” (BPB p. 34). The Joint Trades request the following additional information to evaluate the BPB.
 - Please share how membership in the E-ISAC is being funded. For example, are the natural gas members fully funding their participation, or are registered entities' assessments paying for other critical sectors to participate in the E-ISAC?
 - Given the significant increase to the budgets, the Joint Trades recommend revisiting and discussing the portion of the NERC assessments that are used to fund 50 percent of the CRISP program operational and administration costs of over \$2.2 million.

BPB Value Proposition:

- The Joint Trades have concerns with NERC's assertion (BPB p. 3) that the proposed 2023-25 budget increase will cost a typical residential customer approximately 7 cents/year. The methodology for passing on ERO costs to end-use customers, including residential customers, is not uniform across North America, and the impact to particular residential customers (let alone non-residential customers) may be more significant. Furthermore, this figure does not account for the significant cost increases that the Regions are proposing, nor does it account for steady historical budget increases over time. Given inflationary pressures and other economic concerns, at a minimum, NERC should provide additional information on how it calculated the 7 cents figure.