



NERC 2022 Draft Business Plan and Budget

Initial Comments of the American Public Power Association, the Edison Electric Institute, and the Large Public Power Council June 18, 2021

The American Public Power Association (“APPA”), the Edison Electric Institute (“EEI”), and the Large Public Power Council (“LPPC”) appreciate the opportunity to provide comments on the first draft of NERC’s 2022 Business Plan and Budget. APPA, EEI, and LPPC support NERC’s mission to assure the effective and efficient reduction of risks to the reliability and security of the grid.

With the continued financial pressure on the energy sector resulting from the effects of COVID-19, there is uncertainty regarding how long these impacts will be felt in a post-pandemic world. The pandemic has necessitated registered entities maintaining flat (i.e., zero increase) budgets, which includes deferring lower priority activities and cutting back on expenditures such as personnel, travel, and technology. This is not an easy task, but it is necessary. In contrast, NERC and Regional Entities’ budgets continued upward trajectory is pressuring limited registered entity resources and increasing customer’s bills. Similar to registered entities’ need to maintain a flat budget by necessity, APPA, EEI, and LPPC urge NERC and the Regional Entities to prioritize the most important activities to assure reliability and security.

As NERC and the Regional Entities continue to implement new tools and processes with the goal of a more effective and efficient ERO Enterprise, APPA, EEI, and LPPC encourage NERC to identify and measure corresponding savings in the budget. For example, if a tool is projected to result in savings, the budget should reflect the corresponding decrease that resulted from the identified savings. Perhaps as an exercise to identify the highest priorities, NERC could explore what activities would be mandatory or discretionary in a flat budget environment.

Operations

APPA, EEI, and LPPC encourage NERC and the Regional Entities to continue looking for opportunities to keep operational costs low and focus resources on activities that are aligned with NERC’s performance objectives and Reliability Issues Steering Committee (“RISC”) priorities. As new risks are identified, NERC should re-evaluate

and re-prioritize activities, including deferring or eliminating certain work that is unnecessary or redundant based on shifting priorities to efficiently manage resources. It is also important to have an explanation of how NERC's business plan aligns with the risk priorities identified by the RISC. This transparency would allow for a better understanding of, and more informed discussion about, which lower priority activities can be delayed.

In addition, NERC and Regional Entities should look for opportunities to leverage and share their resources, especially where there are shared systems.

Opportunities for economies of scale include:

- Cybersecurity Expertise and IT:
 - Align and the Secure Evidence Locker Tools are common systems used across NERC and the Regional Entities, and expertise for securing and managing these tools should be shared.
- Training:
 - Leverage training created in one Region across all of the Regions rather than duplicating these efforts and activities across NERC and the Regional Entities.
 - Leverage training from IEEE, EPRI, NATF, etc. for technical focus areas such as misoperations, maintenance, Human Performance, etc.

Situation Awareness

The situation awareness section discusses continued focus on situation awareness tool enhancements and the implementation of the disaster recovery site (page 42). "Additional 2022 plans include (1) enhancing natural gas situational awareness by working with vendors to gain a better understanding of the tools and methods that are and will be available to monitor natural gas availability, transmission, and distribution across the BES...." Coordination between the electric and gas sectors is important, and standard changes both in NERC and NAESB have been put in place to improve communication and coordination between electric and gas utilities. Consequently, stakeholders question consultant spending in this regard and ask that NERC provide additional justification for this expense. In addition, APPA, EEI, and LPPC ask that NERC provide additional explanation for needing near real-time situational awareness in light of NERC's non-operational entity status especially in light of registered entities' tightening their budgets.

Tools

NERC states that the objectives and benefits of the Align tool (see page 23) include, among other things, improved integration of and access to data and standardized business processes and consistent application of the CMEP resulting in increased productivity and reduced application costs across the ERO Enterprise. It would be helpful if NERC and the Regional Entities' budgets identified where, if any, the Align tool productivity created cost savings and quantify such savings. NERC should undertake an analysis to determine if the Align/SEL project achieved the forecasted

holistic savings given the need for additional staff members to manage the new tools in a number of Regions.

Additionally, NERC's 2022 BP&B includes upgrades and enhancements to other tools and applications that will benefit reliability (see page 38). NERC should create metrics around these enhancements to evaluate the effectiveness in both reducing risks and enhancing reliability as well as meeting other stated project goals.

Fixed Assets

APPA, EEI, and LPPC suggest that NERC and the Regional Entities look for opportunities to reduce costs and gain cost efficiencies through leveraging the entire ERO Enterprise to procure common tools, such as laptops, audio visual equipment, applications, etc. Purchasing as a shared service has efficiencies. Investor-owned utility holding companies buying for subsidiaries, as well as municipal entities buying for different city services (electricity, water, etc.) take advantage of such synergies and similar cost sharing/savings could also benefit NERC and the Regional Entities and their budgets.

Personnel

Given the downward financial pressure in the industry, we ask that NERC re-evaluate the addition of personnel. It appears that NERC is adding a number of FTEs in the Standards department. Based on the number of added FTEs, this appears to assume that standards activities will double. The budget materials do not explain nor provide support for the additional work. Moreover, the SARs underway or in development do not appear to support the need for this increase. Importantly, the increase does not appear to consider the new Risk Framework and the appropriate tools to address emerging risks identified by the RISC and the Reliability, Security, and Technology Committee. NERC has been actively engaged in these areas over several years, and more information is needed to understand what additional activities in Reliability Standards warrant an increase in FTEs.

The plan also calls for adding "support for the downstream natural gas sector" to the E-ISAC. The Oil and Natural Gas ISAC and Down Stream (DNG-ISAC) should handle such expenses. The E-ISAC should coordinate with such groups rather than hiring to "support" the sector.

Travel and Meetings

Given the BOT is not planning the same level of in-person meetings going forward and that NERC is planning for hybrid meeting formats, we would have anticipated this area would have remained flat or been reduced.

APPA, EEI, and LPPC appreciate NERC's consideration of these comments.