

NERC 2023 Business Plan & Budget

Electricity Canada appreciates the opportunity to provide feedback on NERC's draft 2023 Business Plan and Budget. As the voice of the electricity sector in Canada, Electricity Canada is an advocate of NERC's international standard-setting model.

OVERVIEW

Electricity Canada observes that NERC is proposing a significantly larger annual budget increase than in previous years, and is projecting similarly large increases into 2025. Electricity Canada agrees that the business plan is focused on the most pressing high-level priority items. Electricity Canada also believes that it is important that NERC has the appropriate resources to effectively address these items with activities within scope, especially given the evolving and challenging security and reliability ecosystem.

As NERC expands its resources to effectively address these priority items, it remains essential that there is a corresponding focus on ensuring financial prudence and that there is corresponding value for expenditures and activities.

The themes raised by Electricity Canada for NERC's consideration, earlier in the engagement process, remain relevant:

- **Strategic Objectives and Value:** Clear communication about how the activities and investments in the business plan and budget correspond to strategic objectives, tangible results and corresponding value for all reliability stakeholders, including for Canadians, is important.
- **Scope:** Some of the priority areas and corresponding activities that NERC identified will require efforts from across the electricity reliability community. NERC should focus on activities directly within its scope, avoid duplication of efforts, and seek opportunities to leverage or to amplify the activities of others in the electricity reliability space.
- **Prioritization and Effectiveness:** NERC should prioritize what is: a) the most impactful in ensuring electric reliability; b) aligned with strategic objectives; and c) within NERC's scope. As new priority work is determined, NERC should identify milestones or metrics that show when objectives have been accomplished or when work should be stood down, and should work to prevent unintentional scope creep.
- **Nimbleness:** NERC should continue to examine how its overall programming and structure can become more adaptable to effectively address priorities as they arise and evolve. However, it is

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important that principles of a sound standards making process, including the American National Standards Institute process for standards development, are maintained.

- **Resources and Engagement:** Electricity Canada remains supportive of NERC's resourcing to effectively address priority reliability and security challenges, but reiterates the importance of continuing to seek opportunities to achieve budget stabilization and to minimize annual budget increases. Electricity Canada encourages NERC to engage with Canadian regulators through appropriate forums as NERC seeks to invest in these priority areas, and to consider that the ability to flow-through costs varies regionally.

OTHER COMMENTS

Protecting and ensuring the reliability of the grid from evolving threats is a top priority for Canadian electricity companies, and NERC is a strong, established forum for these efforts. As noted above, Electricity Canada is supportive of activities and investments that enable NERC to effectively address priority items within its scope given the demanding electricity reliability and security environment. In this spirit, Electricity Canada offers the following comments for additional consideration.

COST EFFECTIVENESS

As a general observation, throughout the pandemic, many reliability standards projects were set aside as lower priority and many development projects have been put on hold. At the same time, reliability standards have represented 10% increase of NERC's budget for the past few years. Additionally, despite most meetings being held virtually throughout the pandemic, costs for Meetings and Travels increased by 18.5% from 2021 to 2022 and by 19.3% from 2022 to 2023. As such, there may be opportunities for improvements in controlling expense increases in this area, and potentially in others. For example, NERC could consider holding alternating in-person and virtual meetings. This could help control travel costs, while also ensuring that the unique value of in-person meetings is not lost. Many electricity companies are pursuing similar models with travel and events.

An increase in headcount is a significant driver for increased costs in the proposed budget, which may offer a potential avenue for cost savings. Electricity Canada encourages NERC to consider meeting staffing needs through contracting, where appropriate and effective. For example, contracting may be an appropriate solution for shorter-term projects defined within the priority areas.

TECHNOLOGY

Electricity Canada encourages NERC to consult with industry early on regarding technology adoption or improvements, to identify which options are most compatible with existing industry practices.





Considering the potential for 'lock-in' of technology solutions, seeking optimal value for NERC members – including consideration of future costs for industry integration or alignment with NERC platforms – is important.

For example, there may be lessons learned from the development of the Align tool, especially regarding any systemic or regional challenges in integration or rollout across a large geographic and regulatory footprint, which could offer guidance for future technology projects.

TRANSPARENCY

As the NERC budget expands, so should transparency. NERC should consider more clear and consistent ways to report out on the effectiveness of the business plan and budget, in support of helping to ensure that resources and expenditures have corresponding value.

This also includes the E-ISAC. The E-ISAC has taken helpful actions to increase its value proposition for Canadians over recent years. However, as the role and services of the E-ISAC expands, greater transparency regarding E-ISAC costing of expenses, membership and funding can help to ensure the value proposition for all stakeholders continues to improve. More details are also requested regarding how technology will improve the ERO's processes and projects.

Additionally, regarding the format in which NERC presents its business plan and budget, greater consistency in formatting from year to year is requested to assist with reviewing and providing of feedback.

COLLABORATION AND ENGAGEMENT

We are supportive of increased collaboration with stakeholders, and see potential for NERC to leverage similar data collection and analysis processes where they are already in place. More details on how enhanced outreach to stakeholders and policy organizations will be pursued would be welcome.

Electricity Canada appreciates NERC's efforts to create a business plan and budget which effectively and efficiently addresses pressing and priority reliability and security items. Electricity Canada also appreciates NERC's stakeholder engagement regarding the business plan and budget, and trusts that the issues outlined in this letter will be given due and fair consideration.

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